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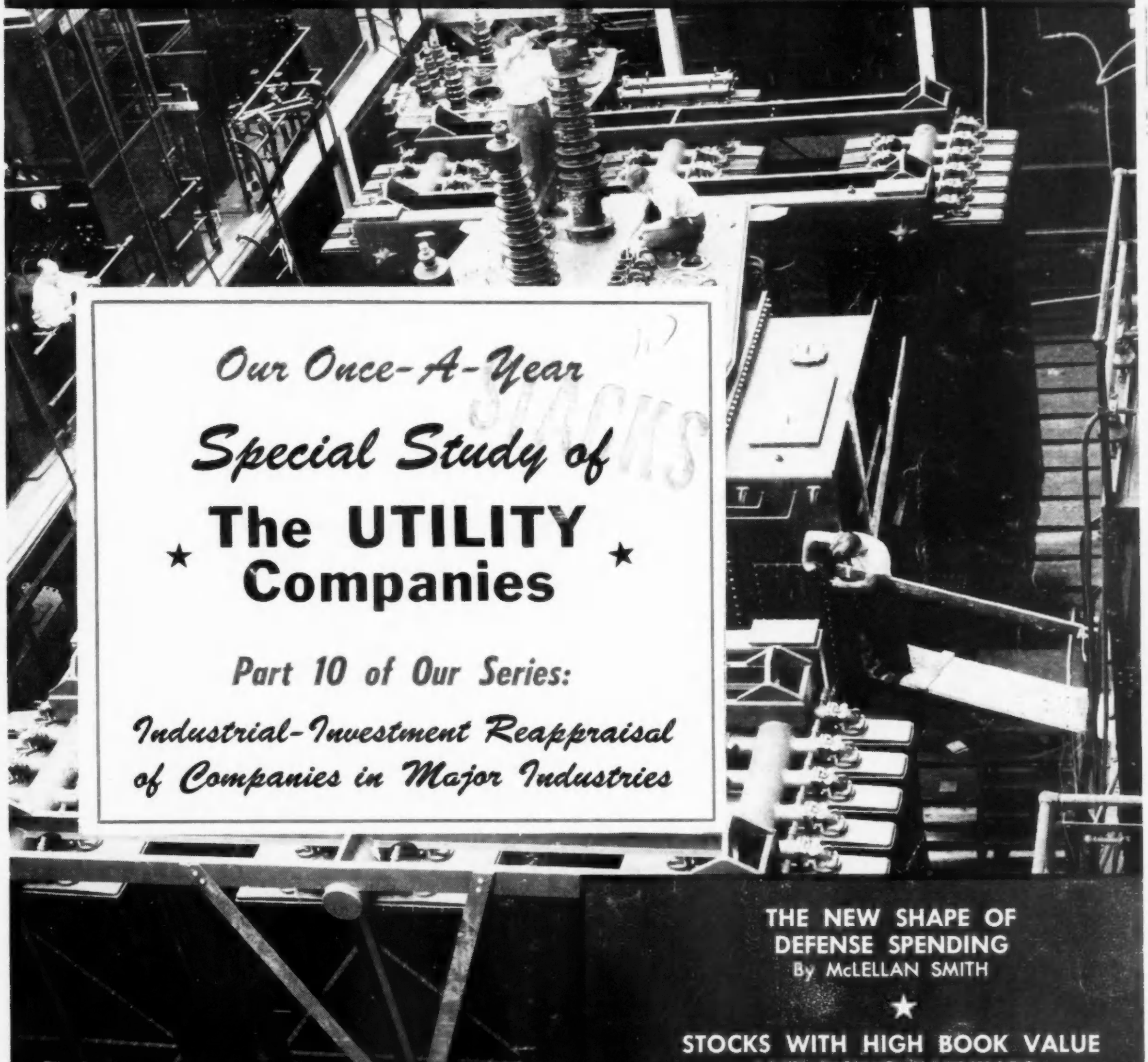

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By FRANK L. WALTERS

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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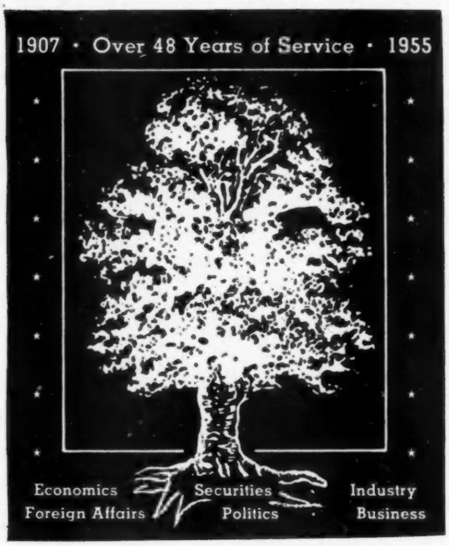
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. D. KING, *Managing Editor*



The Trend of Events

THE GUARANTEED WAGE—A MILESTONE IN AMERICAN INDUSTRY . . . With Ford having accepted the principle of the guaranteed wage, it is obvious that a profoundly important trend in the relationship between employer and worker has been inaugurated. From now on, it may be expected that the trend to the guaranteed wage will spread to the other major industries and, ultimately, to all industry and business. While it is necessary and desirable to provide continuity of employment to the nation's workers, this new development must inevitably increase the cost of production unless productivity can be increased sufficiently to match the new burden of financial protection which industry will be called on to bear. Mr. Reuther has won a significant victory, but he is now acutely responsible for affording the highest possible degree of cooperation with industry in order to effect the change without risk to individual businesses, let alone the national economy. It is plain to see, of course, that we now must deal with a new, unknown quantity in business, the outcome of which must inevitably remain uncertain for a long time to come.

THE STOCK MARKET INVESTIGATION . . . The Fulbright Committee (Senate Banking and Currency Committee) revealed few surprises in its report on the stock market. On the whole, despite the acrimonious start of the investigation, the majority findings showed less partisanship than might have been expected, though the minority report clearly contained political overtones, which had been injected quite early into the proceedings by Senator Capehart. Aside from this contretemps, the report is in many ways a valuable contribution to public understanding of the workings of the stock market.

The prime purpose of the investigation was to examine the obviously unwholesome market symptoms which came into evidence after the November election with the increasing preoccupation of the public in general with stock market speculation. The Committee's report does, indeed, make a finding to the effect that speculative activity had become excessive and that an undue amount of credit was being diverted into such speculation. Wisely, however, it took no position on the question as to whether stock prices were or were not too high.

The Committee took pains to analyze the relationship between stock market credit and prices and came to the conclusion that the rapid expansion of customers' debit balance from $1.7 billion at the start of the bull market in September, 1953 to $2.75 billion at the end of April, the largest advance in nearly 20 years, had greatly facilitated the extreme rise in the prices of many stocks. To prove the point, reference was made in the report to the sharp increase in short-term trading and to the relative decline in long-term investment, which took place in the months directly after the last elections, as indicating the changed character of stock market activity during the height of speculation.

There is no reason to dispute the accuracy of these findings. It is more than a coincidence, for example, that

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: :1907—*"Over Forty-seven Years of Service"*—1955

the volume of transactions, including short-term trading, declined abruptly after the Federal Reserve increased margin requirements, particularly after the second advance which placed margin requirements at 70%, thus showing the direct connection between stock prices and market credit during extreme phases of speculation. The Committee report implies that stock speculation can be further reduced with successive increases in margin requirements. Presumably, it would favor a 100% margin should stock market activity again expand to recent high levels.

So far the operations of the stock market, as a whole, are concerned, it is obvious that the Committee felt it should not, at this time, go beyond stating the relevant facts. It made no hard-and-fast recommendations, aside from advising a further study into proxy fights and margin trading; for regulation of principal phases of the over-the-counter market; and for the elimination of abuses in the sale of that class of stock (penny stocks) not yet covered by statute.

Only those who have no real interest in the constructive long-term value of genuine investment and who are only concerned with immediate returns will fail to welcome the Senate inquiry and its judgments. All will agree that the Committee's concern with the excessive market speculation which had manifested itself at the end of 1954 and early 1955 was justified since the dangers to the economy inherent in prolonged and wild market activity are obvious.

Recommendations for reforms and improvements of the market mechanism are always in order. Therefore, the Senate findings should be viewed without prejudice and accepted as a real contribution in the interest, not only of a healthier stock market, but in the interest of the economy as a whole. In view of the strategic position of the stock market in this country, nothing could be more important for the nation.

DOING IT OURSELVES . . . This year the spreading do-it-yourself craze is expected to pass the six-billion-dollar mark in household maintenance, repair and expansion expenditures. That will be more than half the total spent for such purposes.

The proportion of actual to potential spending in this classification is really more than 50 per cent, because the Census Bureau grouping includes purchases of such things as refrigerators and ranges, which no one can make for himself.

As might be expected, makers of paints, hand and power tools, millwork, plywood, ready-pasted wallpaper and a thousand other materials and articles are rushing to get in on this great new market. Seventy per cent of all house paint, say manufacturers, is spread on by amateurs; 60 per cent of all wallpaper the same.

The phase of do-it-yourself that invites study by the thoughtful is that it represents an about-face from the theory of division of labor which has made this country great. America is primarily the land of don't-do-it-yourself-if-someone-does-it-better. This is true even within the specialized industries. The shoemaker buys a machine to do his stitching.

Now, reversing this proved means to better living, the householder is told that he can elevate his living standard by becoming part-time decorator, carpenter and cabinet maker. Except for the psychological value such activities have for the specialized worker who has been doing the same thing over and over during the week, this can only be true because of distortions of the work pattern of our civilization, brought about by labor and tax laws.

The householder who hires an artisan must in most cases do so at rates set by what the same man could earn working for an industrial company which has for a decade found it easy to pass along its costs. If the one who wants the work done tries to pay for it by working an extra day at his own trade, he runs into two other barriers: His employer is reluctant to extend his workweek, because of punitive overtime. The worker himself finds his income-tax payments increasing, so that his overtime must pay not only the hired artisan but the Internal Revenue Service.

No wonder he finds it cheaper to bypass the whole division-of-labor system, and do-it-himself. It is cheaper, immediately, if the worker is competent enough to do a passable job. Whether it is cheaper for the whole country in the long run, or whether this is a danger sign that we are building trouble into the economy with some of our social reforms, is one that must wait for an answer.

POPULARIZING EUROPEAN SECURITIES . . . The initiation of dealings in an increasing number of foreign securities in the New York market is one of the more interesting recent developments in the field of investments. Interest among American investors in foreign shares, unlike foreign bonds, has never been keen. In fact, listing of these shares on the New York Stock Exchange has been heretofore limited to only a few of the better known foreign companies. Due to the effort of a leading New York bank, however, it now appears that a number of the more prominent British, Dutch and South American shares will be listed through a deposits receipt system, whereby American investors would receive, on purchase, certificates of deposits representing their pro rata ownership in the number of shares of the foreign company made available to trading in United States markets. For the time being, such transactions apparently will be limited to the New York Stock Exchange.

In the meantime, direct participation on an increasing scale by American investors in various European Stock Exchanges has been noted and is being reflected in higher prices for selected stocks.

Stimulation of American interest in foreign shares is due to recognition of basic economic improvement in some leading Western European countries and to growing appreciation in this country of the investment attraction of representative, leading foreign shares. One of the more important factors in the growth of American interest in shares of foreign countries is that many of these companies pay dividends at a traditionally liberal rate, with yields currently somewhat greater than those obtainable in comparable U. S. issues.

It should be noted however, that this yield of investment is more suited to the sophisticated and experienced investor who is closely in touch with foreign business conditions and well acquainted with those individual shares about to become available to trading in the New York market. But ordinary investors will probably do well to avoid this field and stick to those issues at home with which he is more familiar.

—END

As I See It!

By JOHN CORDELLI

TOO VALUABLE A CARGO TO BE DROPPED

The top executives of the U.S. Steel Corp. Reading from left to right: E. M. Vorhees, Chairman Finance Committee; B. F. Fairless, retired Chairman; R. M. Blough, the new Chairman, and C. F. Hood, President.

Americans often amaze the world with the profligacy with which they dispose of their natural resources but, in some respects, the national wastage ensuing from the automatic retirement of our most active and able business leaders at a comparatively early age in this era of increasing longevity, is even more deplorable.

In recent years, a new pattern has emerged in the conduct of our industrial and business management. More and more companies have adopted the policy of retiring chief executives at arbitrary age limits, generally between the ages of 60 and 65. But, as so frequently happens, this is precisely the age when these leaders normally function with the greatest assurance and effectiveness. The result is that by prematurely severing these executives from their jobs, companies may unnecessarily deprive themselves of creative spirits nurtured through years of intensive experience and which are virtually irreplaceable.

It is true that, in preparation for the retirement of their chiefs, companies may prudently arrange for a successor, generally chosen from the ranks of the top echelon of their executives. While the smooth transfer of responsibility is thus more or less assured, nevertheless forfeiture of the special talents possessed by the previous incumbent and which were decisive in the growth and prosperity of the company may not be fully compensated for despite the smooth change-over. In the long run, the loss of such highly individualized capacities, which have been borne to full fruition only after many years of most serious application to the job, can be costly. Far better, it seems to us, would be to retain the services of retiring chiefs and thus secure the benefit of their counsel, unless, of course, illness made this impossible. In this way, the company could assure itself the valuable services of both old and new chiefs, though responsibility for its direction manifestly must become the province solely of the new head.

Many recent instances of enforced retirement of industrial leaders come to mind but none is more interesting in its implications than that of Mr. B. F. Fairless as Chairman of the U. S. Steel Corp. At 65, the compulsory age of retirement for the corporation's chief executives, Ben Fairless was at the very apex of his powers as a brilliant organizer. For years, he contributed powerfully to the remarkably rapid development of his giant corporation. In fact, at the very moment of his retirement, he was actively engaged in supervising the enormous expansion of his company's facilities which indeed, had had its main impetus in the years of his chieftaincy. Nevertheless, he had to step down, due to reaching the statutory age of retirement, albeit to a very worthy successor, Mr. Blough, the vice-chairman. Unlike many other corporations, however, which, in similar circumstances, part permanently with their retiring heads, the U. S. Steel Corporation wisely retained the services of Mr. Fairless as director, in which capacity no doubt he will be able to continue to give effective counsel to his company. This is an example that should be followed by other corporations which are in danger of losing valuable executives through retirement. *(Please turn to page 384)*

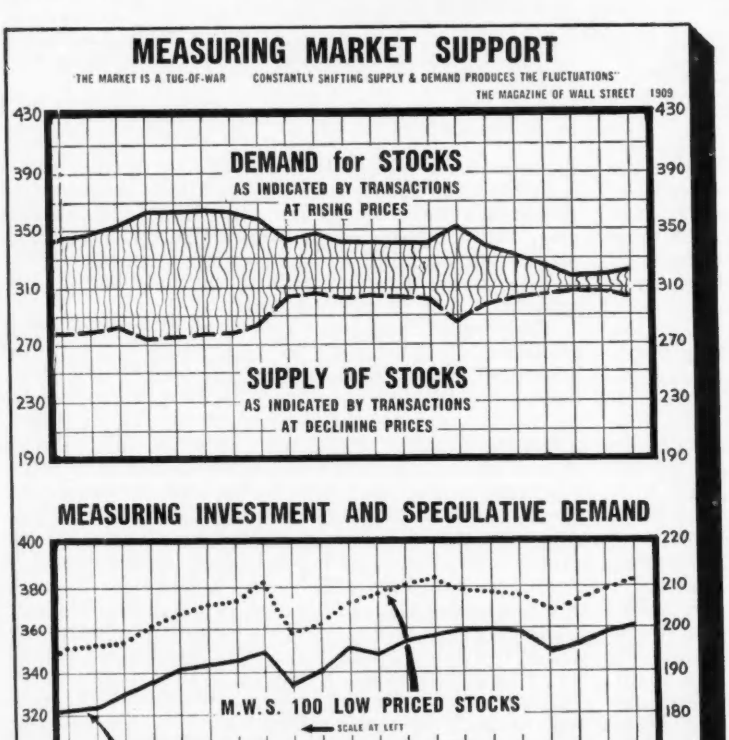
Market Increasingly Selective

Present indications appear to promise some extension of the bull market. It should be relatively modest, if speculative excess is to be avoided or deferred. The case for longer-term retention of good stocks is much stronger than that for new buying at this level. Sound portfolio management continues to require prudence and close discrimination.

By A. T. MILLER

The market remains highly mixed, featured by some fairly sharp advances in a small minority of individual stocks and by some fairly sharp declines in a still smaller minority of others. It is a market which invites discriminating switching operations to improve portfolio positions, to reduce risks, to clinch profits on amply priced stocks, to enhance profit potentials. That is not without pitfalls. It requires intelligent analysis of relative stock values and prospects. It is far less simple than profiting in more or less standard market favorites when you have the aid of a fairly general, strong, sustained upward trend, such as that prevailing during most of last year. Contrasting with that, the 1955 market to date has been much more of a zig-zag affair and more selective, resulting in only a moderate net extension of the upward trend since the end of 1954. That means that, while some stocks have been highly rewarding holdings so far in 1955, more have either advanced little or lost some ground.

So far as the daily averages can tell the story, the over-all direction was upward over the last fortnight, extending the upswing from the reaction lows recorded in mid-May on a relatively mild three-week sell-off from the late-April highs. For the Dow industrial and rail averages, the latter are the bull-market highs to date. At last week's close, both averages were within very close striking distance of those highs, suggesting an imminent test of them. Trading volume showed some tendency to expand on strength in stock prices in recent days, after having contracted in May to the lowest level since last October.



Near-Term Possibilities

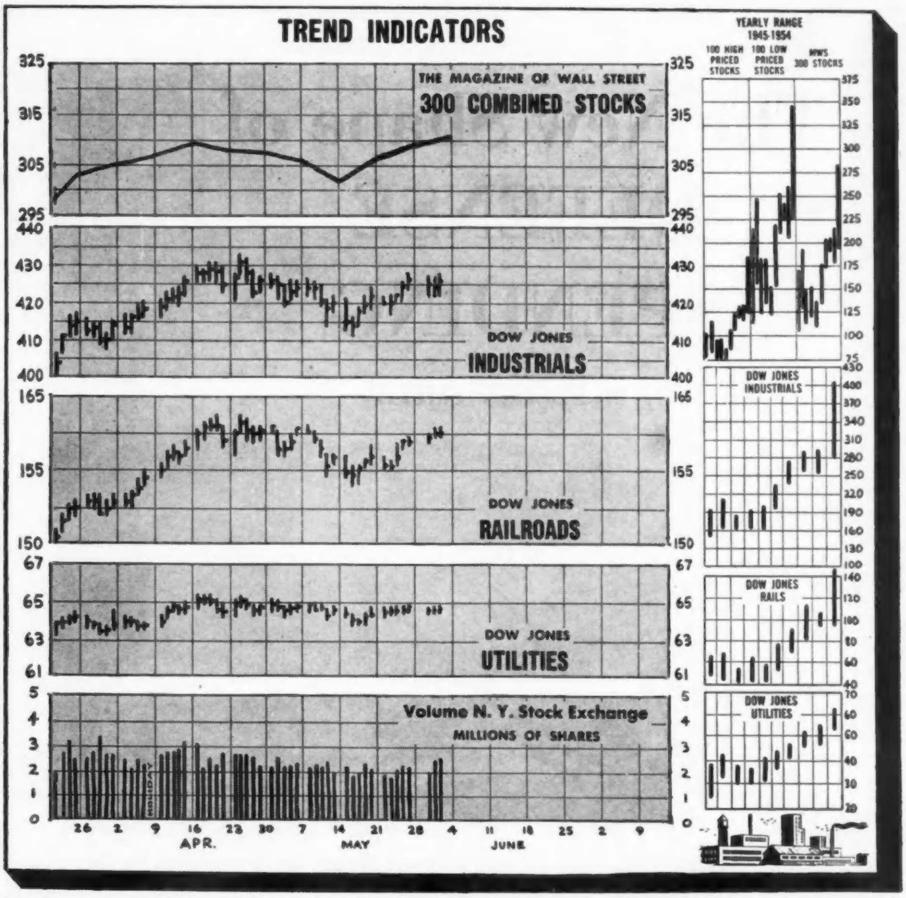
An early penetration of the April highs would not necessarily assure important added rise, although the benefit of the doubt always has to be given to the hopeful side in such a situation. It could amount to a modest extension of the bull market, followed by a corrective downswing along the lines of the previous 1955 pattern, featured so far by three sell-offs and three upswings, including the present one. Nor would a backing away from the vicinity of the April highs, without definite penetration, imply important decline. That might be merely a back up for a new try. The upside does not have the benefit of seasonal upward tendencies in June. Over the years, the month has brought almost as many net declines in the averages as net advances. However, two things can be said: (1) the immediate technical indications, while not conclusive, are at least on the promising side; and (2) there is a pretty strong upward seasonal bias in stock prices in the great majority of years in either July or August or both. So the odds would seem to be for at least some extension of the bull market within no

great time, whether in a matter of days or of weeks a little bit further on.

The more cheerful investment-speculative sentiment evident at this time probably rests on the following combination of factors:

(1) The strong showing which is still being made by business activity. The level now attained has materially exceeded earlier expectations. It probably sufficed to put the Reserve Board index of May industrial production (the figure will soon be released) back to or a bit above the previous all-time monthly high reached in 1953.

(2) Some general raising of sights on second-half potentials, even after allowing for an easier third-quarter in the automobile and steel industries, among other lines; and for the already indicated flattening out of the housing boom. Steel orders continue to run ahead of capacity. Opinion in the industry is that nothing worse than the usual seasonal summer let-down is likely, and that it will be followed by a good rebound. Among members polled by the National Association of Purchasing Agents, 33% expect that second-half business activity will be above that of the first half, 42% think it will equal the first half, and 25% think it will moderately lower. These opinions and those of steel executives may or may not prove right. They are cited here as indicative of current sentiment — and sentiment itself can influence business and the market.



(3) Raised sights on second-half prospects mean correspondingly higher hopes as regards full-year corporate earnings and dividends. A strong fourth quarter and confidence of continuation of good business into 1956 would considerably "sweeten" the usual heavy flow of year-end extra dividends. Total 1955 payments promise in any event to set a new all-time record by perhaps something like 7% to 10%. Aggregate earnings may remain moderately under the previous peak reached in 1950. However, those of larger companies, of the types represented in the Dow industrial stock average and other similar indexes, probably will set a new record. Their gain over 1954 is tentatively projected at between 15% and 20%.

(4) Market action itself, as usual, affects sentiment. Investors and traders have been encouraged by the fact that the April-May reaction halted well above the March lows, which in turn were moderately above the January lows; and by the subsequent upturn, with its increased momentum and volume in recent days.

(5) Increasing belief that President Eisenhower will seek and gain reelection. This is important. If "Ike" were taken out of the picture, the impact on investment and business confidence would be sharply adverse.

Against all of that, the market as a whole is at an advanced, even if not extreme, level. Average price-earnings ratios are at a medium level, well below those at past market highs. Average dividend yields on representative industrials are only slightly above 4%, compared with over 6% during much of the period 1949-1953. They were appreciably lower (around 3.25% and 3.50% respectively) only at the 1929 and 1946 bull-market tops. The wide earlier spread of stock yields over bond yields has been greatly narrowed, and bond yields recently have continued to edge higher under tightening money-market conditions.

The logical medium-term possibilities would seem to be: (1) a relatively modest extension of the bull market, if realistic investment considerations prevail; or (2) a revival of speculative tendencies, despite 70% margins, after recent months of quieting down. The latter could lead to excess, bringing the top of the market nearer, and would be vigorously opposed by the monetary authorities.

There is more to be said for holding long-term positions in sound stocks, subject to reasonable reserves, than for new buying at this stage. The latter poses an increasingly formidable problem for individual and institutional investors with surplus funds to employ. They have a choice of waiting for market set-backs or of shopping around for "fair-to-middling" values in a market stripped of bargains.

—Monday, June 6

The New Shape of DEFENSE SPENDING

By McLELLAN SMITH

The broader implication of the Pentagon desire to reduce military manpower wasn't even mentioned in the Congressional discussions but it should have been clear from the start: it is another, albeit the most expansive, stride in the transition from men to machines as the main components of the defensive-retaliatory force.

To reduce the marching armies, to be sure, means more money for a hard-hitting air power, atomic weapons and guided instruments of destruction. But that's not the immediate objective. It would be almost impossible—and debates underscore this—to win over to "push-button" warfare a Congress steeped in the military traditions of marching men, line-on-line; to bring into acceptable focus for the lawmakers a mobile, transportable military might with machines that do everything but chart the attack and defense. So the first tactic is to bring those instruments into play; then a streamlined manpower falls naturally into place.

Opposition to this change, as expressed in resistance to manpower cuts, overlooked the fact that the planned block could hardly be effective in any event. It's as simple as this: The Pentagon wants and is planning for a "New Look" which has President Eisenhower's indorsement if, in fact, he is not its author. No military budget is mandatory to a degree which can hamstring a Commander-in-Chief, render him powerless to make changes. Congress appropriates "X" dollars to maintain and equip the armed forces, and suggests the money's allocation between "equipment" and "armed forces" (the latter in the narrow meaning of manpower). If the White House and the Pentagon believe the times demand a switch of emphasis, that's what will happen—what is happening, despite some Congressional assertion that contemplated manpower cuts are dangerous to the safety of the nation.

White House and Military thinking at this moment is that the time has arrived to shift gears, get into the mechanical military age with full speed. The line of thought has been intensified by recent intelligence reports of Russia's stepped-up air power, particularly in the area of intercontinental bombers; ergo, the changeover to the mechanical will be made with all the celerity the nation's industrial structure is capable of. If industrial capacity is deficient, the deficiency will be overcome through needed expansion at a pace typical of industrial know-how.

The military budget for the fiscal year beginning July 1, is $32.2 billion, $3.4 billion more than was appropriated in the current fiscal year. Analysis of the budget requests for Air Force, Army, and Navy, point up the so-called New Look in defense—reveal the swing away from manpower to machine power.

It can be noted the House has pared $744 million from the President's request for $32.2 billion; and it can be confidently forecast the Senate will restore most of the slash. Traditionally, the Upper Chamber is more liberal with funds for the Armed Forces.

The Air Force gets all of the $3.4 billion hike, but not entirely at the expense of other branches of the Armed Forces—the Administration has made cutbacks in practically every Department and agency of the Government. These economies make it possible to offset the "New Look" without impairment of the Army, Navy and Marine Corps, even though they are to experience some personnel cuts, and reduction of funds for other activities heretofore associated with striking power in terms of men bearing weapons.

Where the Increase Will Go

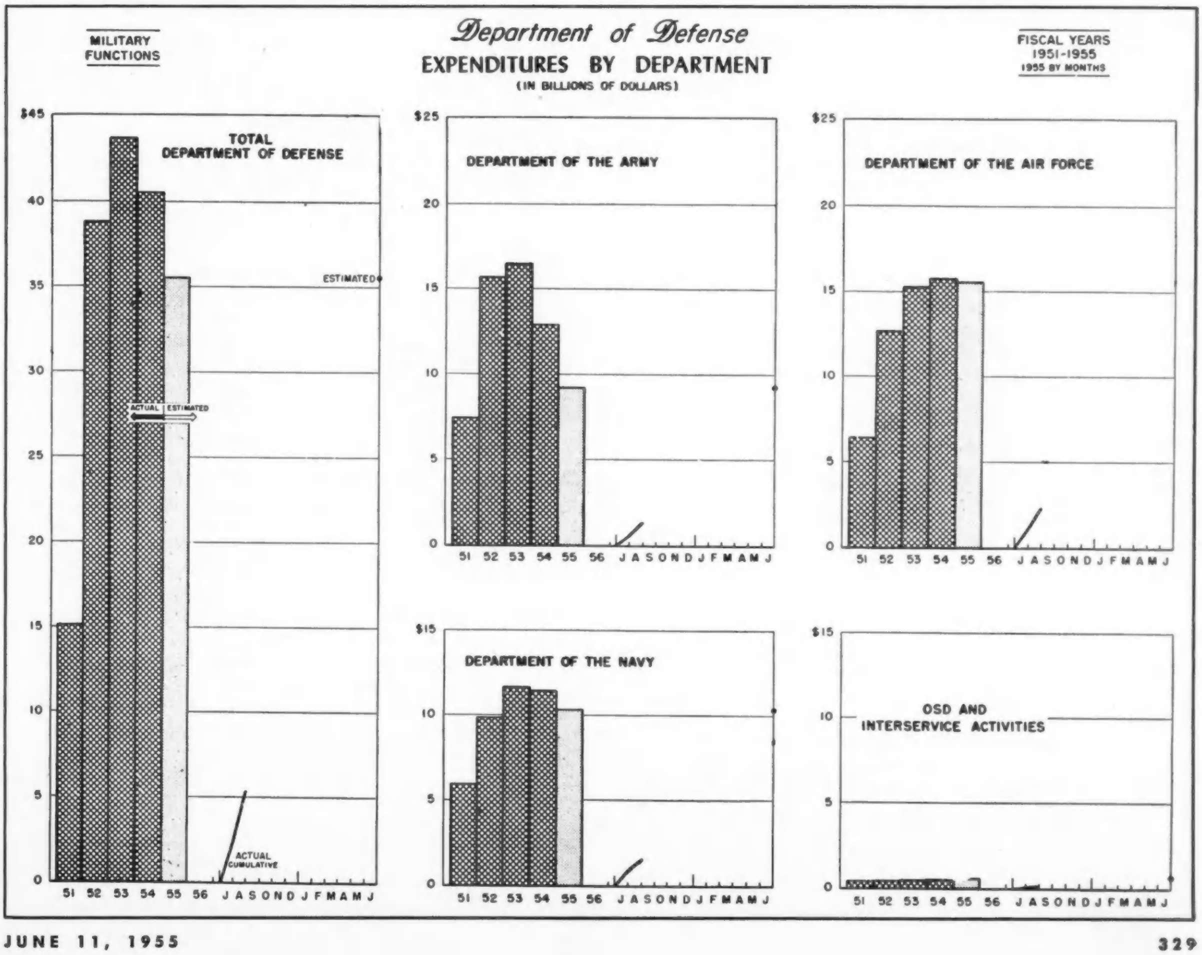
It is in area of new aircraft and related procurement—parts, electronic equipment, etc.—that most of the increase will be spent. The 1956 budget calls for $6.1 billion, a 121 per cent jump over the present fiscal year when only $2.76 billion was appropriated. It means the Nation is moving much more rapidly toward the planned 137-wing Air Force deemed necessary to offer effective resistance to atomic and thermo-nuclear attack, and to provide the means for almost instant "massive retaliation." *In summary, it points to an around-the-clock schedule for the aircraft industry for some three years, at a very minimum.*

And, as the aircraft industry moves into high gear, the electronics industry must accelerate at an almost equal pace. This is borne out by the 1956 budget of $400 million for Air Force electronic equipment, for which only $274.3 million was appropriated this fiscal year. The $400 million is for procurement, largely for ground-to-air and air-to-air missiles. In addition, research in this area is tabbed to cost $500 million, an $81 million increase over the 1955 appropriation. Other Air Force budget figures which indicate the trend from men to machines in modern defense include a $300 million increase in the estimated cost of maintenance and operations, a $40 million increase for the Air National Guard, a $10 million increase for the Air Force Reserves and a $300 million increase for civilian employees in the prosecution of research.

Is this stepped-up effort to build the Air Forces, partially at the manpower expense of our "marching armies," needed or wise? Perhaps the best answer was recently given by Brig. Gen. Thomas R. Phillips, USA-retired, military analyst.

"A single thermo-nuclear weapon could make a gap 20 miles wide and 20 miles deep in an enemy line. . . . Thirty bombs would create a wholly destroyed, burned and vaporized zone from the Baltic Sea to Switzerland 20 miles deep.

"Gen. Omar N. Bradley, former Chairman of the Joint Chiefs of Staff, once said that if we had no sizable ground forces in Europe, the Russians could place their soldiers 100 yards apart and march across Western Europe despite our atomic weapons.



The thermo-nuclear bomb spoils this statement. It has been estimated that a one-megaton bomb would kill 17,000 men in such a dispersed formation and a five-megaton bomb would kill 39,000 and a 10-megaton bomb 50,000.

"In the face of such capabilities, ground warfare as it is currently conceived can no longer exist in war between atomic powers."

Those brief paragraphs of General Phillips amply illustrate just what could happen to some of our key industrial centers if we should be without the radar network for adequate warning to an Air Force capable of intercepting enemy sky raiders, and an Air Force an enemy knew capable of dealing like, or more terrible retaliation. An intercontinental thermo-nuclear attack would relegate marching armies to the category of policemen to restore order *in our own country,* not to storm the beaches of some enemy 6,000 miles away!

The Man-Power Cutback

Examination of the 1956 budget for the Army points up the manpower cut back planned by Pentagon and White House. The 1955 appropriation for personnel (marching men) was slightly in excess of $4.1 billion; the 1956 budget contemplates the expenditure of $690.4 million less, a 20 per cent reduction to a total of around $3.5 billion, which covers the recently approved pay hikes for career personnel and specialists. In brief, it means a reduction of around 243,000 men "in the ranks."

Close inspection of the Army budget does not reveal itemization of expenditures for tanks, vehicles and weapons. For security reasons they are lumped in a general fund labeled "Maintenance and Operations." Elsewhere in the budget request are indications of the Army's shift to mechanical warfare and an expanded Reserve which looks toward the streamlined military organization which will be the "brainpower" directing the machines of future defensive-retaliatory warfare. Although the 1956 budget for maintenance and operations is about $39 million more than the 1955 appropriation of $2.8 billion, this is not enough money to account for any expansion in expenditures for ordnance—tanks, vehicles, guns, etc.

Smaller items in the 1956 Army budget accentuate the shift to be made—less men in the active services, more specialists in the Reserves. Military construction for the Reserves is more than doubled, moving from $15 million to $31 million. Pay for reserves is hiked by $40.3 million, and the estimate for the Army's Air National Guard is upped by $76.3 million to $294.8 million.

It has been three years since the Defense Department has published figures on Army items being purchased, but considerable publicity has been given to procurement for the Air Force. Doubtless this course has been pursued for two excellent reasons—secrecy with respect to one branch of the service can be confusing to an enemy, while open statements (in terms of dollars without reference to types of planes) can act as a deterrent to those nations who might think of waging air war against the United States.

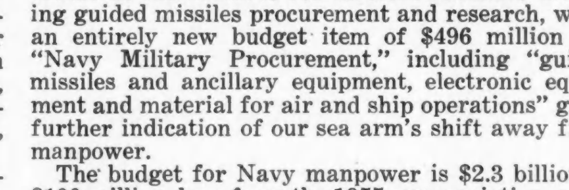
The Navy budget for the coming fiscal year reflects the shift from men to machines, despite the fact that its aircraft procurement request seems sharply curtailed. In 1955, Congress appropriated $1.9 billion, plus, for new Navy planes, while the 1956 budget calls for only $753 million, a $1.2 billion drop. Closer inspection of the budget reveals that in 1955 Navy spent less than $800 million of its appropriation for new planes, leaving a $1.4 billion carryover. Add this to the 1956 budget of $753 million and it becomes apparent that Navy's 1956 expenditures for aircraft may approach $2.2 billion. The lag in 1955 aircraft procurement may have been due to lack of ships to transport the planes—in brief, a possible shortage of aircraft carriers capable of mothering the planes that carry the dreaded A and H bombs.

Expanding the Shipbuilding Budget

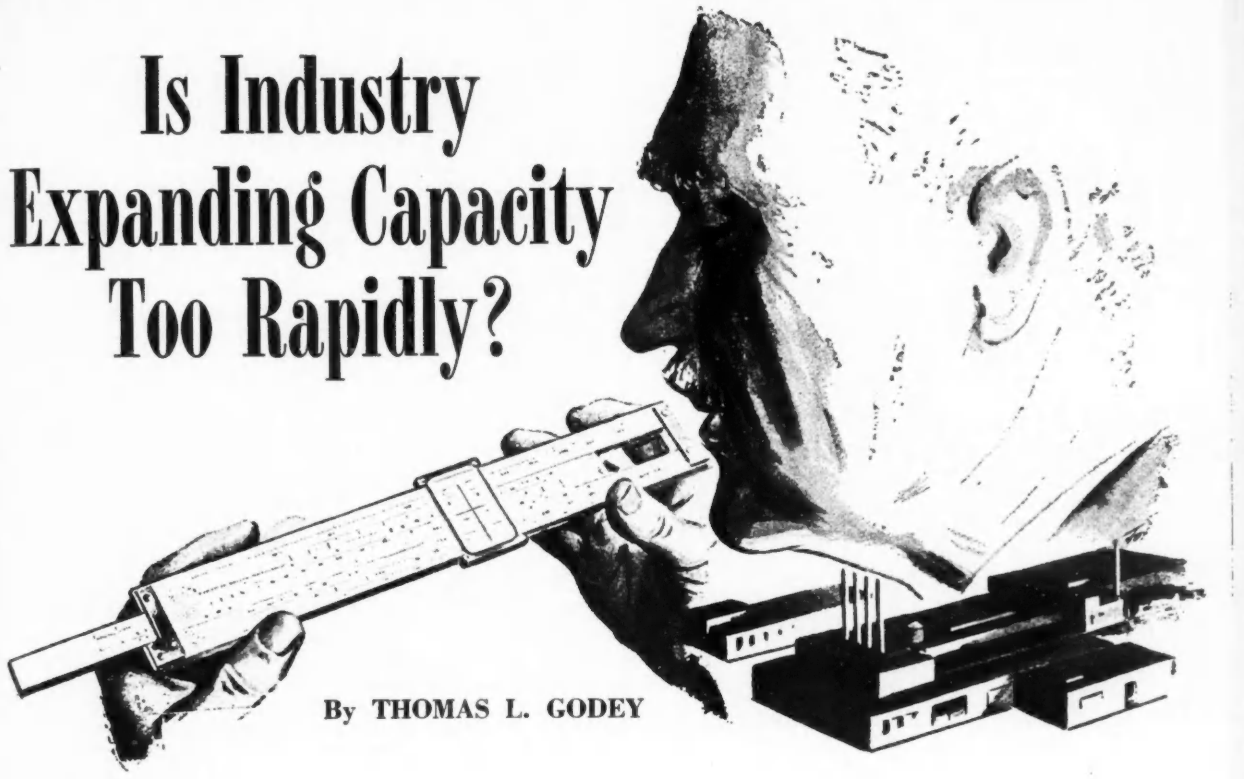
This thesis finds support in Navy's 1956 shipbuilding budget of $1.3 billion, a $275 million jump over the 1955 appropriation, from which there is a $458 million carryover. Again, the budget reveals a shift from men to machines in a $114 million increase in the estimate for aircraft facilities including guided missiles procurement and research, while an entirely new budget item of $496 million for "Navy Military Procurement," including "guided missiles and ancillary equipment, electronic equipment and material for air and ship operations" gives further indication of our sea arm's shift away from manpower.

The budget for Navy manpower is $2.3 billion, a $100 million drop from the 1955 appropriation, after allowance for recent pay increases to all uniformed personnel. The manpower cut is further pointed up in the 1956 budget for (*Please turn to page* 370)

The Administration's defense program for 1956 is based on the principle that the utmost in security for the nation depends on the speed with which our armed forces can be mechanized. In recognition of this fact, the next defense budget will emphasize the swing away from manpower to machine power. This means that even greater sums than in the past will be spent on such equipment as: military aircraft and related industries; electronics; heavy machinery and shipbuilding. With the streamlining of manpower in the armed forces, will go a reduction in appropriations for uniforms, food, vehicles, small arms and other items related to the individual soldier.



Is Industry Expanding Capacity Too Rapidly?



By THOMAS L. GODEY

In the context of the short-term business outlook, it is now generally agreed by most analysts that business demand for plant and equipment is again on the rise. As of mid-year, the evidence to document this rise is rather substantial, although there is little factual information about the rate at which it is progressing.

But what is surprising, and very encouraging, is that it is occurring at all. For the plain fact is that since the end of World War II American business has ploughed back the astonishing sum of $200 billion into new productive facilities—by far the largest wave of expansion ever experienced in this or any other country. Even granting the enormous growth of the American market in these years, the swelling volume of capacity has already converted postwar shortage into an intensely competitive abundance of virtually everything.

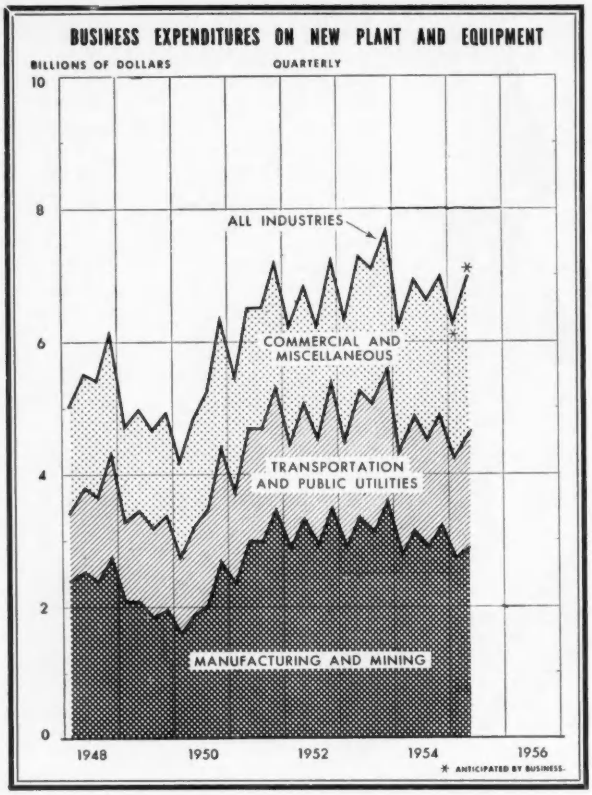
Yet, faced with this abundance, American businesses are actually increasing their outlays for bigger and more efficient production. What are the wellsprings of this urge for expansion? Is it well-advised, or ill-advised? How long will it last? What are its consequences for the business system as a whole?

The Shape of Current Expansion

In its initial survey of business spending plans for plant and equipment, conducted in January and February, the Department of Commerce found that the first quarter of this year will evidently have marked the end of a comparatively mild downtrend in capital outlays that began at the onset of recession in late 1953. The survey found that in the second quarter of 1955 the rate of capital spending would shift sharply upward from about $26 billion in the first quarter to about $27.4 billion, and that this rate would presumably prevail throughout the last half of the year. For all of 1955, business reported capital spending plans totalling $27.1 billion, or about 1% more than in 1954.

These findings were actually considerably more impressive than they appear at first blush. The Commerce Department has found, in previous surveys, that the farther ahead it looks, the more it tends to understate the future rate of investment outlays. The reason for this systematic understatement is simple enough: a large number of businesses simply do not plan capital outlays very far in advance, and hence report few or no plans even when it is entirely probable that they will spend considerable amounts in the forecast period. *Given the upturn in capital outlays in the second quarter, it is now very probable that outlays will continue to rise throughout 1955, and that the Commerce Department's annual forecast for the year as a whole will be considerably short of the actual level of expenditures.* In fact, it would not be at all surprising if capital outlays at year-end were running close to, or even above, the record rate of $28.8 billion recorded at the peak of the 1953 boom.

And, since the Commerce Department survey was published, there has been a lot of additional evidence that a vigorous and prolonged upturn in capital outlays is under way. A detailed survey by McGraw-Hill, released in April, finds that 1955 spending for new plant and equipment will exceed 1954 not by 1%, but by 5%, which would put it at a new record level of about $28.5 billion. These findings also point to continued strength in capital spending in 1956, and even in 1957 and 1958.



Emphasis on Expansion

And in the past several months, these survey results have been roundly confirmed by actual activity in the machinery industries themselves. Since the turn of the year, employment in electrical and non-electrical machinery plants has been increasing by almost 2% per month; new orders flowing into the offices of machinery companies have perked up sharply, and inquiries on prices and delivery terms are now reported to be better than at any time since the Korean war. The machine tool industry, a bell-wether for total plant and equipment demand, is recovering rapidly from its 1954 doldrums, and construction contract awards for new plants and commercial buildings have recently been running almost 40% ahead of a year ago.

And to top off this optimistic picture, it should be noted that a larger share of 1955 outlays will be going to expansion, and a smaller share to modernization, than was true in 1954. The upward shift in emphasis on expansion, as opposed to cost reduction, reverses a trend toward cost-reduction outlays that began in 1953. American manufacturers now expect to expand their aggregate capacity by about 5% in 1955 (and another 11% in the years 1956-1958).

The largest additions to capacity planned for 1955 are in the chemical, paper and electrical machinery industries, and in the transportation equipment (excluding automobiles) industry. In these industrial sectors, output capacity will rise by 7% or 8%, and dollar outlays will run as much as 10% above 1954. In a number of other industries which have indicated a sharp rise in dollar outlays — primary metals, stone clay and glass products, and food manufacturing — most of the expenditures are directed toward modernization, rather than expansion. Industries which expect an actual decline in the rate of capital outlays in 1955, compared with 1954, are autos (where 1954 outlays were extremely high as a result of a sudden burst of modernization and retooling activities in connection with new 1955 models), rubber products, petroleum refining, and beverages. Relatively small increases in dollar outlays are anticipated in the textile industries, and in miscellaneous manufacturing establishments.

In non-manufacturing industries, the 1955 rate of outlays shows a wide variation from 1954. In the "commercial" category, which includes office and loft buildings, warehouses, retail facilities, service stations, etc., a gigantic 15% increase is expected. Electric and gas utilities expect to spend about 5% more than last year, while mining and petroleum production companies expect to just about maintain last year's rate. Railroad spending will be down about 4% from 1954, while expenditures on non-rail transport facilities and communications will show little change.

Reasons For Expansion

Underlying the renewed upsurge in capital outlays are three fundamental influences affecting investment decisions in 1955.

The first of these is a series of extraordinarily favorable developments in the flow of corporate funds. Following the business cycle peak in mid-1953, the rate of corporate profits, before taxes, subsided sharply for about fifteen months. Corporate profits recovered in the fourth quarter of 1954, and boomed in early 1955. The rate is now at about the highest point in post-war history. (Moreover, it has achieved this new peak without the help of any illusory inventory profit accompanying rising prices. In terms of true pre-tax earnings, the profit rate is now substantially above any recorded experience.)

This recovery in profitability takes on particular importance because corporate tax liability is still fully $4 billion lower than at the peak of the 1953 boom, mainly thanks to the expiration of the excess profits tax. And adjustments in the 1954 tax bill — including the provision of alternative depreciation methods — may well restrain the corporate tax bill throughout this year and ensuing years. As a result, corporate profits after taxes are now substantially above their levels of the last boom.

But even this is not the whole story. Depreciation allowances are now running almost $2 billion above their annual rate in mid-1953, and they too are still rising. Result: the total internal generation of corporate funds — after-tax profits plus depreciation allowances — is now perhaps 20% above its level of mid-1953, and easily the highest on record.

And even after allowing for about a $1 billion rise in corporate dividend payments, net cash inflow — retained earnings plus depreciation — is now running at almost $25 billion a year, or as much as 15% above the previous record set in 1950.

Heavy Inflow of Cash

To top it off, corporations have also increased their cash to the tune of about $4 billion through reduction of inventories over the past year, with the result that they are in an extremely liquid state. In the first half of this year, that liquidity is required to some degree, because of heavy cash payments to

the Federal government against 1954 income taxes. (Because of the acceleration in income tax payments involved in the Mills plan, corporations are paying almost their entire 1954 tax liability in the first half of 1955.) But in the last half, tax payments will be negligible, and the inflow of cash will be fully available for use without endangering liquid positions. Result: a strong incentive to put the cash into fixed investment.

A second major influence on current investment decisions is businessmen's confidence with regard to the short-term sales outlook. In replying to the Department of Commerce survey early in the year, manufacturers indicated that they expected, on average, a 4% increase in sales in 1955, relative to 1954. Every major industry group expected some increase, and in a number of heavy investment industries the expected increases were substantial: producers of nonferrous metals and products looked for a 12% rise; primary iron and steel producers, about 9%. Moreover, as the year has moved into the second quarter, sales expectations appear to have grown considerably more favorable.

Thus, the sales increase expected by the average producer has risen to about 7%; chemicals, building materials, beverages, textiles, all showed sharp increases in expected sales volume.

And if a new survey were taken today, it would doubtless find still higher expectations. With few exceptions, optimism about the short-term outlook is unanimous throughout manufacturing. And optimism in manufacturing is now inducing higher investment budgets in a number of non-manufacturing areas; for example, the railroads, which were anticipating a cut in capital outlays of as much as 11% in the Commerce Department survey, were down to only a 4% expected cut. A drop of almost 10% in outlays by mining companies had fallen to a mere 2%. (And the strength of copper, lead and zinc prices in the past few months has probably already eradicated even this small decline.)

Long-Term Trends

In other words, an extraordinarily strong cash position on the part of manufacturing corporations, as well as in non-manufacturing industries, is interacting with a very favorable level of sales expectations to induce a vigorous rise in the spending plans of business itself for a new plant and equipment.

But even this powerful combination of cash and short-term incentive to invest understates the full power of today's investment cycle. For beyond the immediate future, in the eyes of business, appears to lie a continuing, vigorous growth of America's national and international markets that will mean a rapid multiplication of demands for America's manufactured goods. The ten-year projections of economic activity which have been such a popular subject of research economists for the past few years have evidently found their way deep into corporate thinking. The National Planning Association's "The American Economy in 1960"; The Report of the President's Commission (The Paley Commission) on America's materials requirements in 1965 and 1975; The Department of Commerce's "Markets after the Defense Expansion"; and the Report of the Joint Committee on the Economic Report entitled "Potential Economic Growth of the United States during the Next Decade": all of these explorations of the long-term business future describe, in effect, a dawn of a new age of mass production for the largest domestic markets in history, in many cases fully 50% bigger than today's markets.

In the final analysis, it is toward these distant markets that American business is reaching out in its current expansion wave, and it is for this reason that the expansion wave is likely to be strongly sustained until or unless the long-term forecasts become no longer realistic.

As a precautionary conclusion, however, it is worth adding that few corporations are unalterably committed to these plans, and that if their sales expectations, now so sanguine, should turn sour, they would readily reduce their anticipated expenditures on expansion. And even if sales expectations were to stay favorable, any serious damage to their liquidity, through reduced profit margins, higher taxes and wages, or sharp declines in prices, would certainly curb expansion. The pressure behind the present expansion wave is a complex product of availability of funds and short-term, as well as long-term, optimism. A default of any of the three components could be reflected quickly enough in a general revision of investment plans. —END

How Manufacturers Are Expanding Capacity

Index of Industrial Capacity (1939 = 100)

	Jan.[1] 1946	1950	1952	1953	1954	Planned 1955	Planned 1958	Percent Increase 1953-54	Percent Increase 1954-55	Percent Increase 1955-58
PRIMARY METALS	120	142	164	175	181	186	202	2%	3%	8%
Iron & Steel	112	126	140	147	150	153	164	2	2	7
Nonferrous	148	195	244	268	281	292	327	5	4	12
METALWORKING	156	259	324	356	376	401	452	5	6	12
Machinery	154	236	304	325	338	358	405	4	6	13
Electrical Machinery	175	325	400	452	488	522	600	8	7	15
Autos	104	153	196	202	214	223	245	6	4	10
Transportation Equipment (incl. Aircraft)	243	288	423	495	520	562	624	5	8	11
Other Metalworking	112	277	294	312	328	348	390	5	6	12
CHEMICAL PROCESSING	146	230	274	295	312	330	389	5	6	16
Chemicals	172	293	357	393	417	446	544	6	7	22
Paper	151	225	262	278	292	312	362	5	7	16
Rubber	153	207	241	255	273	287	316	7	5	10
Stone, Clay & Glass	112	178	217	230	239	251	286	4	5	14
Petroleum Refining	123	178	194	208	218	220	229	5	1	4
FOOD & BEVERAGES	117	143	157	162	168	176	192	4	5	9
ALL MANUFACTURING	131	175	204	218	229	240	266	5	5	11

1—All other data as of end of year.

West Coast Dynamism Builds Expanding Markets

By FRANK L. WALTERS

The rapid industrialization of the Pacific Coast states, including the states directly bordering thereon, has the broadest implications not only for the economy of that region but that of the nation itself. Up to the outbreak of World War II, this area rather limped along, economically speaking, aside from the marked development of such natural resources as petroleum, timber and agricultural products. Aside from these, about the only outstanding industry to bulk large in terms of revenue was the "movies", located in Hollywood.

The war wrenched the Pacific Coast loose from prime dependency on these activities and laid the foundations for an industrial and business empire that is destined to expand many times even its present size. With the war, came an enormous influx of population which, by now, has become firmly rooted in its new environment. This, in turn, has generated a regional demand from consumers and manufacturers for products to be produced "on the spot", rather than at points thousands of miles away. None of this, however, would have been possible without an expansion of banking and financial facilities to provide for the new growth.

In previous years, borrowers found it difficult to secure adequate capital at reasonable rates with which to start new enterprises. Many of them were forced to depend exclusively on Eastern capital. Expansion of banking facilities, however, to a large extent made possible by the rapid growth of the Bank of America, helped to make the Pacific Coast region less dependent on outside sources for capital. This is a most important factor in the expansion of Pacific Coast and nearby states.

From the investor's viewpoint, the growth of the Far West has opened up new horizons but a high degree of discrimination is needed to differentiate between the solidly placed companies, with large financial resources, and those which are not yet adequately established.

Demand for Power Insatiable

Growth of the region is real enough with people and business, in greater numbers than ever before, fastening onto the opportunities the area affords. Western dynamism has been sparked by such basic resources as power and even though costs of construction have risen in recent years, the streams of the Pacific Northwest, as an example, remain the nation's cheapest source of electrical energy.

Federal development of new projects has slacked off, but operating utilities in the Washington-Oregon-Idaho region now are working on new projects that would be too large for any one or two utilities to handle. Congress tossed more than \$2 billion into this region in 20 years for Federal projects. Appropriations in the last decade for power development facilities totaled \$1,485,000,000.

The growing population spurs the demand for more power. It is no secret that the greatest population growth in the land is taking place in California. Now second to New York in numbers (some 13.5 million against the Empire State's roughly 15.7 million), California is expected to rank first in about a decade by growing 34.6% while New York

grows only 11.4%. Washington and Oregon will expand almost as fast as California. Result: 5.5 million more people dwelling on the West Coast by 1965. Fastest growing of all states, on a percentage basis, is Nevada. It is due for a population rise of 42.5% by 1965, according to the Bureau of the Census. Arizona is next, with an indicated gain of 39.3%.

Business growth has been even more amazing. As an example, the Colorado Fuel and Iron Corp. (known in frontier days as Colorado Coal and Iron) in 1882 poured the first steel made west of the Missouri River. That year the company poured about 25,000 ingot tons of steel. Today its western production is on the order of 1.5 million tons. As recently as 1939, California manufactures totaled only $1,123,000,000. That figure has risen some sevenfold in the intervening 16 years. California now is first among all states in construction.

West Has Increasing Share of U. S. Wealth

Western share of United States industry and wealth has climbed phenomenally in the post-war period. Its share of bank deposits rose to 12.9% from 9.1%, its part of the total national income was up to 15.2% from 12.4%, telephones to 15.1% from 13.7%, motor vehicle registrations to 17% from 15.4% and electrical energy production to 19.6% from 16.7%. As an example of rising buying power, total income of Californians topped $20 billion in 1951 and in 1952 rose to $23,146,000,000. This exceeded the 1945 figure by more than $9 billion and it was $18 billion higher than the pre-war total of 1939.

Into this empire of timberland, agriculture, minerals, aluminum and steel manufacture, aircraft facilities, shipping-railroad-airline networks, garment-making, electronic plants and hundreds more, come migrants from all over America and numerous foreign lands. Many come because they are restless, others are attracted by what they saw during wartime service and still others by the sights they encountered as tourists. Still others are pensioners looking for more comfort and leisure, only to decide in many instances to seek a livelihood instead. All of these groups, new to the area, find the West has much to offer.

New Growth for Established Companies

With the advent of new faces and new companies, old-established businesses are striking pay dirt in this region. Thus, the Union Pacific Railroad, which was issuing annual reports to stockholders back in the 19th Century, last year received more than $48 million from sale of oil, gas and like products. And its over-all business boomed, too. Net income for 1954 was at $69,623,000, off only 1.1% from the record high established in the preceding year. A smaller carrier, Western Pacific Railroad, reported that during 1954, 72 new industries were set up on its lines. This included construction of a $40 million Ford Motor Co. assembly plant, which started up this Spring.

Another old established company that finds the West a magnet is Fruehauf Trailer Co., a leading maker of truck vans. Fruehauf is casting about for another trailer factory. The company is thinking about the San Francisco area and Seattle and, to save time, would prefer to acquire a plant already built. Fruehauf already has two plants in Los Angeles and one in Seattle, so this newest expansion only reinforces this company's faith in the growing West.

There is no better barometer of a region's economic health than its utilities and railroads. And the utilities here tell pretty much the same story of growth and prosperity. Typical is Pacific Gas and Electric Co., which serves 46 of California's 58 counties. Last year, P. G. and E. surpassed all previous records in sales of gas and electricity, gross operating revenue and number of customers served. Then there is Southern California Edison Co. As in each year since 1945, that company set several new records in 1954. Gross revenues of $155 million were $13.5 million higher than in the preceding year. To keep pace with territory growth, construction expenditures in the five years through 1954 averaged $68,819,000 per annum. For 1955 the construction budget will soar to a new peak somewhere around $80 million. Farther up the Coast, Puget Sound Power & Light Co. showed substantial gains and significant accomplishments on all fronts, which added up to the best year in that company's history. It wound up the year with more of just about everything—operating revenues, net income, additions to plant, kilowatt-hour sales, customers and so on. But even 1954 is being dwarfed by the showing in the first four months of this year.

In mid-May, the Far West's stores were reporting a similar pattern. Gains were substantial, with year-to-year rises ranging to 21% at San Jose. For the year to date, department stores of the region were 8% ahead of 1954, a slightly higher gain than the national average. Commercial, industrial and agricultural loans for the week ended May 11 were $3,344,000,000, up $24 million in the week. These loans were $249 million higher than at the same time a year earlier. Real estate loans showed gains of $11 million, to reach $3,235,000,000.

A more striking picture of the growth that has taken place in the Twelfth Federal Reserve District —Washington, Oregon, Idaho, California, Nevada, Utah and Arizona—may be obtained from these figures: Taking 1947-49 average as 100, we find that department store sales in the region averaged 33 in pre-war 1940, soared to an all-time high of 116 in 1953 and receded to 113 in 1954.

To many of our senior citizens in the East, who thought first and sometimes solely of motion pictures when the subject of California industry arose, it will come as a surprise to learn that California is the ninth largest steel-producing state. The raw steel capacity of that state now is 272% higher than it was before Pearl Harbor. Even more impressive is the expansion of finished steel product capacities in California. Its capacity for total hot rolled steel products now is nearly four times greater than it was 15 years ago. The number of finished steel products made in California has been almost doubled in those 15 years.

Indeed, percentage increases from pre-war days are astounding. The capacity for making wire rods is up more than 500%, capacity for galvanized sheets is higher by 220%, and tinplate capacity is about 16 times greater.

Rise in Steel-making Capacity

At the start of 1955 the 3,154,000-ton annual steel-making capacity of the Golden State was lodged with seven companies, led by Kaiser Steel Corp. This company at Fontana turns out about half of the total. Bethlehem and United States Steel also are important steel producers in that state. The 1,485,000

Major Companies Growing with the West

Atchison, Topeka and Santa Fe	Operating revenues in 1954 were highest for any peace year. Operating performance of this completely dieselized system as measured by efficiency index of freight gross ton miles per train set new high. Operates over more miles than any other U. S. carrier and also is factor in oil, lumber, mining and real estate.
Weyerhaeuser Timber	Despite protracted strike in Douglas fir region, 1954 net income was near record level. With construction humming around country, should enjoy continued boom in sales of lumber, plywood and allied products. Also should benefit from brisk demand for pulp and paperboard items.
Homestake Mining	Giant gold miner is likely to have slightly smaller earnings from this business in 1955, due to lower grade ore and rising costs. Uranium leases on Colorado plateau expected to be profitable. Company prepared to invest in stocks of other firms, even if they are not in related field.
Pacific Telephone & Telegraph	Continued heavy demand for service will require large expenditures for construction over next several years. Serves Coast states, Nevada and northern Idaho.
Douglas Aircraft	Kingpin of the aircraft industry recorded in 1954 post-war highs in sales, earnings and dividends. In the world struggle for air supremacy, Douglas has vital role to play. Set new record in commercial aviation sales and achieved wider diversity of products and services in year.
Crown Zellerbach Corp	Fiscal year that ended April 30 should reflect high output and sales of this well-integrated paper producer. Has acquired greater timber holdings and pulp-paper capacity. Growth appears assured in this burgeoning industry.
Bank of America	Starting a half century ago as a tiny San Francisco bank, it has become the world's largest privately owned bank. Some 550 branches serve 300 California communities with every commercial, savings and trust facility.

tons of steel-making capacity in Colorado is provided by Colorado Fuel and Iron. That figure is topped by the 1,879,000-ton capacity of Utah, turned out by the Columbia-Geneva Steel Division of U. S. Steel. Washington State can turn out 390,000 tons of ingots and steel for castings per year while Oregon can account for 120,000 tons.

Thus, the five Western States cited have the capacity to produce well in excess of 7,000,000 tons of steel per year, which is equal to the facilities in the booming South. The national capacity is about 126 million tons.

Vital though steel is to the growth of the Far West, it has a long way to go to match oil as a factor in the economy. Motorized living, of course, typifies this nation, reaching its apex in the Far West. As an example, more cars (some 6,000,000) carry the California license plate than any other. In cities such as Los Angeles, third largest in the country, a man without a motor car is virtually stranded, for the transit facilities in that Western metropolis are hopelessly inadequate. The Angeleno is as dependent on the freeways as the New Yorker is on the subways.

Fortunately, this is a state that produces about a million barrels of crude oil daily. In addition, there are oil-bearing lands in the Pacific Ocean, off the California coast. However, these have been largely untouched primarily because the laws of California have not been conducive either to exploration or production. The State Legislature, however, seems about to rectify this situation and that should open up yet another frontier.

Standard Oil Co. of California, one of America's giant corporations, should achieve results in 1955 comparable to those of last year, even without the unusual boost to earnings that came from Eastern Hemisphere operations in 1954. The record $212 million of net income reported last year was made possible by receipt of nearly $100 million in dividends, after taxes, from Eastern Hemisphere affiliates. This compared with $53 million from the same source in the prior year. The company expects the West to contribute to 1955 earnings substantially more than it did in 1954. Standard of California expects its 1955 spending to be in excess of the $300 million budgeted earlier for capital and exploratory expenditures, thus topping last year's record spending of $281 million.

Richfield Oil Corp., servicing the fastest-growing gasoline market in the land, has tripled its sales and quadrupled its earnings in the post-war period. The company completed a $35.5 million expansion of a refinery last summer.

An empire within this empire aptly describes Kern County Land. When it was incorporated in 1890, its main operation was raising cattle. Since then it has developed almost 2,000,000 acres of arid land in its home state of California and in the Southwest into a rich empire with a market value of well over $200 million. Its operating revenues add up to more than $30 million per year and come from such varied endeavors as cattle-raising, crop share-leasing, sale of irrigation water and, most importantly, gas-oil royalties. The company wound up 1954 with the following land-holdings: 780,000 acres in New Mexico, 601,000 in Arizona, 404,000 in California and 168,000 acres in Oregon.

Crown Zellerbach Corp., in a different field, provides another illustration of the dynamic growth of the West. The familiar story of record earnings, sales and production is repeated. It has acquired

additional timber reserves sufficient, in combination with that already owned and other available timber, to support in perpetuity all foreseeable pulp expansion in the next 10 to 15 years. Probably less than 10% of its sales are in lumber products and the balance is from the sale of paper. Growing integration of the operation from forest to finished converted product, aggressive research and development, plus diversification into such fields as plywood, make Crown Zellerbach a topnotch entity in a great growing market.

The packing industry, although fiercely competitive, is one of the outstanding areas of growth in this region. California Packing Co. sales set a record in the fiscal year ended February 26, reaching $233,849,000. Del Monte, the trade name of the firm, is familiar far beyond the West and even well known to many foreign lands.

Electronics Industry Goes West

Such new glamour industries as electronics also are enjoying a boom on the West Coast. The East was given a demonstration of this early in 1955 when trading in the shares of Hoffman Electronics Corp. got under way on the New York Stock Exchange. Sales of this maker of radio, television and a wide range of electronic components as recently as 1951 totaled little more than $20 million. By 1954, volume was at $42,647,000. This Los Angeles firm is only one of many that are expected to carve out for the West in the years ahead an increasingly large share of the output of such devices as telecommunications, radio-metric equipment, transistor application and missile-guidance systems.

The West also has been taking away from the East Coast a substantial share of the garment-making business. "Made in California" is a common label on apparel, especially sportswear, with the Los Angeles area grabbing off a sizable chunk of this business.

A spectacular development in the West today, though much derided, is the uranium boom. Six main producing states are Utah, New Mexico, Arizona, Wyoming, South Dakota and Colorado. Only customer for the uranium is the Government and the cost is not large in relation to other Federal expenditures. Domestic production in 1954 may have totaled 1.5 million tons of this ore. At a typical $35 a ton, price would be only a little more than $50 million. Washington has agreed to buy it all at least until 1962. Thus far, few really large deposits have been found—no huge deposits in the 10 million or 100 million ton class. Atchison, Topeka and Santa Fe and the Anaconda people probably have the only million to 2,000,000-ton deposits of commercial ore yet found in this country. These are in New Mexico.

Natural Location for Aircraft Manufacturing

A highly important underpinning of the economy west of the Rockies, of course, is the aircraft industry. That part of the country, especially California, is so predominant in this field that many Government officials are nervously wondering whether this concentration will one day prove to be a military catastrophe. Air Force Secretary Harold Talbott already has come out strongly against any more expansion of aircraft companies on the West and East Coasts. He has refused to buy guided missiles from a company which sought to expand facilities on the Pacific Coast. He wants (*Please turn to page* 370)

Corporations Operating in Pacific Coast Area

	Price Range 1954-1955	Recent Price	Indicated 1955 Div.	
American Potash & Chem. "B"	87¾- 31⅜	79	$2.00[2]	2.5%
Atchison, Top. & Santa Fe R.R.	150¼- 92½	143	7.00	4.9
Boeing Airplane	88½- 23¼	62	3.00	4.8
California Packing	41¼- 22	38	1.50[2]	3.9
Chicago, Milw. St. Paul & Pac.	27⅜- 10	27	1.00	3.7
Crown Zellerbach	77½- 34¾	76	2.40	3.1
Douglas Aircraft	91¼- 26¼	69	4.00	5.7
El Paso Natural Gas	54½- 35⅜	47	2.00	4.2
Food Machinery & Chem	53¼- 37½	49	2.00	4.0
General Dynamics	80 - 18	60	2.20	3.6
Georgia Pacific Plywood	33⅝- 10¼	31	1.00[2]	3.2
Great Northern Ry.	42⅝- 22⅞	40	2.20	5.5
Great Western Sugar	24⅜- 17⅜	23	1.45	6.3
Holly Sugar	25⅝- 11¼	21	1.20	5.7
Honolulu Oil	87½- 56½	78	2.50	3.2
Kaiser Aluminum & Chem	29[5] - 8⅝	29[5]	.65[5]	2.2[5]
Kern County Land	59⅜- 39⅝	53	2.25	4.2
Lockheed Aircraft	64¼- 26	45	2.85[2]	6.3
Loew's Inc.	22 - 13¼	21	1.00	4.7
Long Bell Lumber "A"	34¼- 22½	32	1.52	4.7
M. & M. Woodworking	16½- 8	16	.60	3.7
Monterey Oil	49¼- 29¾	30	.80	2.6
North American Aviation	63⅛- 20	55	3.25	5.9
Northrop Aircraft	39¾- 7½	28	1.60	5.6
North West Airlines	24 - 7½	23	.20[3]	....
Northern Pacific R.R.	79¼- 53½	74	3.00	4.0
Pabco Products	28¾- 14⅝	27	.25	.9
Pacific American Fisheries	12⅞- 7½	11	.50	4.5
Pacific Const. Co.	22½- 8⅜[1]	20[1]	1.25[1]	6.2
Pacific Finance Corp	44 - 28¾	42	2.00	4.7
Pacific Gas & Electric	48¾- 39⅛	48	2.20	4.5
Pacific Lighting	41⅞- 33⅝	40	2.00	5.0
Paramount Pictures	44⅜- 26⅛	43	2.00	4.6
Pacific Tel. & Tel	140 -114¾	138	7.00	5.0
Pacific Western Oil	52 - 26⅝	42	......	......
Puget Sound Power & Lt	38⅝- 23⅞	37	1.72	4.6
Republic Pictures	8½- 3	8	[4]	....
Rheem Mfg.	45¾- 25⅝	38	2.40	6.3
Richfield Oil	77⅛- 48½	66	3.50	5.3
RKO Pictures	10 - 2⅞	9	......	....
San Diego Gas & Elec	19¼- 14½	18	.80	4.4
Seaboard Finance Co.	33⅝- 24	32	1.80	5.6
Shell Oil	66½- 38¼	58	2.00	3.4
Southern Calif. Edison	51⅛- 37⅞	49	2.30	4.6
Southern Pacific Co.	62¾- 36⅝	60	3.00	5.0
Standard Oil of Calif	81¾- 52¾	75	3.00	4.0
Transamerica Corp.	43¾- 25⅝	40	1.40	3.5
Twentieth Century Fox Film	31⅝- 18¼	29	1.60	5.5
Union Oil of Calif	59¼- 38½	50	2.40	4.8
Union Pacific R. R.	178 -105¼	165	7.00	4.2
Universal Pictures	32¼- 18½	28	1.25	4.4
Warner Bros. Pictures	21⅛- 13⅝	19	1.20	6.3
Western Air Lines	23¼- 8¾	23	.75	3.2
Western Pacific R. R.	73⅞- 49½	66	3.00	4.5
Weyerhaeuser Timber Co.	127 - 67	122	3.00	2.4

1—Adjusted for capital exchange on basis of 4 new common shares for each share held.
2—Plus stock.
3—Initial dividend.
4—Pad 5% stock 4/1/55.
5—New stock after 3 for 1 split.

SIDELIGHTS ON FOREIGN AFFAIRS

By "VERITAS"

SHADOW BOXING on whether the United States or Russia has superiority in air power shows no signs of abating, in spite of the fact that all the glorifiers and detractors have to go on is one side of the story — the United States strength. (There's even some doubt whether all the facts concerning our status have been brought out in the open.) There is more national pride than specific knowledge behind the debate: because ours is the American force, it simply has to be better! But there is a tinge of political propaganda present, too. The Symington "big air force" group finds the "keep-ahead-of-the-Red" theme works.

WASHINGTON SEES

Hard fiscal decisions must be made by Congress if there is to be honest effort toward balanced budget, tax reduction, and slowing the process of piling up national debt. Current activity, and the outlook, gives no basis for cheer.

If the lawmakers go ahead with an expanded aid program for highways, make a start on federal aid to school construction, keep foreign assistance at anything near its present flow, and fail to place a statutory ceiling on the debt, the necessary program is unrealizable on any of the several fronts.

Citing a few millions of dollars cut in an appropriation bill may give the impression of spartan economy. But in the overall, far from being reduced, the real cost of running the government is on the upslant. At the moment, defense spending is down slightly but it has levelled off at a point below which the Pentagon refuses to go and still guarantee defense. Adding these to other sums squeezed from the inflated budgets which the Eisenhower Administration inherited and you have just about the normal rise of government costs — a break-even with no gain.

Conceding that the White House was less artful in preparing the budget this year than has been true in the past, and that sums of money were not fixed for bargaining purposes only, it is still true that no genuine start has been made in either necessary direction: spend less; or provide more income through taxation. That being so, the increased cost of keeping the federal house in order can mean but one thing: more national debt.

INCONSISTENCY can reasonably be read into the country's position on international peace conferences backgrounded by a mad rush to get more and bigger weapons of demolition on the firing line. But closer examination stamps this the wise course. It has not been forgotten that Pearl Harbor came in the midst of peace talks on the highest international levels; that the blitzkriegs were ushered in by great displays of inter-nation amity. In fact past history, some of it rather recent, echoes a stern warning against trusting gift bearers.

BEGINNING on the first day of this month, Harold Stassen was "Secretary of Peace" for the United States — as a matter of record entry. It's already being predicted that the former Minnesota Governor's job will be gradually deflated and he'll wind up as simply another of the White House aides "with a passion for anonymity." Stassen does not enjoy reputation or standing as a diplomat, either at home or abroad. His influence has been cut by the hotly-debated Foreign Operations Administration job which was his until recently. And foreign powers don't rate him with Ike and Dulles for "high level" conference purposes.

FLATTERING valuation is being placed on NATO by Russia's anxiety to have the protective alliance disbanded. Pre-conference statements by high Moscow chiefs and official newspaper accounts are pointed at Western World activities which, warns the Kremlin, delay peace; but always the practice complained of ties into a NATO objective. Russia would pay a high price to disband the pact. In fact the State Department is steeling itself against an offer too attractive-sounding.

As We Go To Press

The firm control President Eisenhower holds on the Capitol Hill republican membership could hardly have been better demonstrated than it was in the Senate vote to sustain his postal pay raise veto. Of the 45 voting GOP members, 37 went down the line to indorse the President's position; of the eight who favored overriding the veto none was marking a drastic departure from past political alignment, and a few of them are noted for almost straight anti-Administration balloting. On the other hand, President Eisenhower made no dramatic inroads on democratic strength. Only the Virginia conservatives -- Byrd and Robertson -- voted with Ike.

In the face of a lobby whose feelers reach every doorbell in the country, it took courage to veto the postal pay boost law, and to vote to sustain. Democrats had made higher federal salaries a platform pledge; additionally they were cemented as a unit by the prospect of besting the President. It would have been a noteworthy victory, too; in two years Ike has been in office no major veto has been challenged. It's true that the President has exercised the pocket veto in more than a dozen instances, and overriding would have been impossible -- Congress had adjourned. That was true of last year's postal workers raise bill: died in a pocket veto.

Most significant aspect of the President's Capitol Hill indorsement is the fact that his expression prompted 12 republican Senators to switch: members who voted the pay boost in the first instance, but who put loyalty to the President and his party program first when the showdown came. Republican leaders on Capitol Hill (Eisenhower brand) were jubilant. While a two-thirds vote would be required to upset the veto, they confidently claim they would have won on clear majority, say they released several republicans from states where the pay bill was polling booth dynamite. Most active vetoers of the past half-century were Roosevelt and Truman, democrats. Each was overrriden, frequently.

Momentum of the drive to repeal the sliding scale of farm supports has been picking up. This marks a reversal of form. It had been predicted that the Senate would take no action, wouldn't even hold hearings. But that's all changed. The Senate Committee is engaged right now in preparing testimony and a report. There's still likelihood that barriers will block the path to upper house action, but it no longer can be overlooked that the drive to repeal flexible supports is deadly serious. At the beginning, Benson Plan adherents said there was nothing to worry about; the House won't even consider the repealer, he said. But the House passed it and then the confidence rested on a Senate committee delay. Confidence which may not prove warranted.

The Universal Military Training Bill seems headed to the fate marked out for it earlier in the session. It made headway that surprised many who hadn't conceded to it the formalities of burial service: it reached the House floor. But Representatives hacked it to pieces on issues far removed from the basic objective -- segregation, for one. It was rescued from further laceration and probable defeat by a manoeuvre stalling off vote. Now it can be brought up again before adjournment; can, but probably will not.

Federal housing authorities having combed windfall scandals and other abuses out of their hair, are smiling again. The housing market is in healthy condition and there is no indication of general overbuilding, says Albert M. Cole, Housing and Home Finance Administrator. In fact, said the White House spokesman on such matters, the time has come when mortgaged financing must be made available for dwelling units for minority groups and for persons in remote sections of the

country. After sounding the warning and illuminating the problem, Cole trotted out the standard warning: If private enterprise does not provide the necessary mortgage financing, the federal government will be called upon to fill the void.

A federal program, long talked of but cautiously avoided on one excuse or another has finally been launched: The Post Office Department has just awarded its first contract under the lease-purchase law allowing the government to buy buildings by paying rents over long periods. The General Services Administration will soon follow this example by letting contracts for an office building to be erected and occupied under a similar arrangement. The Post Office Department will try out the landlord-tenant theory at Scranton, Pa., with a $60,000 branch post office. GSA goes more elaborately into the program, with a prospectus calling for a $1.4 million federal building at Council Bluffs, Ia.

The futility of congressional hearing on bills on which the political lines already have been drawn is illustrated by prolonged sessions conducted by the Senate labor committee on proposed expansion of the wage-hour law. Through more than one month of hearings, in excess of 100 witnesses have presented their pros and cons on the idea of moving the hourly pay ceiling above its present 75-cent level, and expanding coverage of the act to embrace retail workers and others not now covered. Practically all members of the committee, and many members of Congress agreed from the start that the new pay level should be 90 cents an hour, and that coverage should remain as it is today. Unions wanted $1.25 an hour and coverage to blanket in all workers if their employers operate interstate in any degree.

With less than two months more of planned meeting days, Congress may bury the bill in the final rush. That will be suggested, but the roar of opposition to postponement could shoot the measure to the top of the calendar. But that could happen only by agreement, compromise. And the only compromise in sight is 90 cents an hour, no broader terms. President Eisenhower has said he'd settle for that. The Department of Labor has urged it. And it's probably as much as labor expected.

A joint conference under the auspices of the Department of Commerce is working toward what it's hoped will be a mutually-advantageous international mercantile trade. Up to now, accent has been on heavy goods, agricultural products and, in the field of export, that somewhat indefinable thing called "know how." Assistant Secretary Samuel W. Anderson has called retailer representatives to the Capital to launch the new effort. An international committee of merchants is in process of formation. First objective is simplification of customs procedures in this country and abroad.

Most ambitious item on the agenda is creation of an international merchandise mart in New York City. This would be in the nature of a "free zone" where foreign-made products could be displayed and sold with duty paid only when the goods move into American trade channels. That idea originated with the retailers, but Secretary Anderson, speaking for the Commerce Department, said: "In respect to the Merchandise Mart in New York, we would look with great favor on the scheme and I am sure the Foreign Trade Zone Board would approve a proper application.

The nation has had its fill of tax legislation, new and revised, in the past few years and there will be no new Acts this season, says Chairman Jere Cooper of the House ways and means committee. First of the proposals to be mothballed was the Treasury's program for corrections and clarifications in the Revenue Code of 1954. Putting aside the top tax bill on the agenda, Cooper ordered hearings on a customs simplification measure. Present scheduling would bring that legislation to the floor about mid-month. After this chore is out of the way, will come legislation to boost the public debt limit, and Congressmen are shooting at a July 15 adjournment. They won't hit that target but in the reach for it, many bills will be locked in the vaults.

U.S. COMPANIES OPERATING OVERSEAS

By V. L. HOROTH

For some time now American corporations have shown a greater alertness in participating in the expanding business activities abroad in countries other than Canada and in fields other than petroleum reserves development. This growing alertness and interest in the establishment of foreign subsidiaries and in partnerships with foreign corporations may be traced to a number of developments on the international scene. In the past, the biggest deterrent to private capital investment abroad was the fear of another world war and of civil strife in the countries endangered by communist penetration. But with the military security of the Free World on the upgrade, and the communist drive for aggrandizement past its peak, it seems war is less imminent. A greater political and economic stability has been achieved by a long list of the Free World countries, and in general there is reasonable chance of the trend toward peace continuing for some time to come.

But this is not all. More and more foreign countries seem now to realize that what is wanted of them is to encourage the inflow of external capital. Laws are being passed to place the external investor on much the same footing as the internal investor. Guarantees against confiscation without compensation are being strengthened, speedier repatriation of the principal is permitted, and dividend transfers have been liberalized. Among the most recent examples of countries encouraging U. S. capital investment are Italy, Egypt, Ceylon, Iran, Guatemala, Siam, and Lebanon. To bolster up the sagging Argentine economy, President Peron has also warmed up to American capital and a number of deals were concluded, quite unthinkable a few years ago.

At the same time expanding business activity abroad and the rise in the purchasing power of the people throughout the Free World are also inviting investment abroad. American businessmen and industrialists are beginning to realize, like their European colleagues, that what we are now witnessing in Western Europe may be more than a temporary boom, that it promises to be the beginning of a period of extended economic growth brought about by the growth of productivity, modernization of industry, and the development of a mass market for consumer durable goods such as household equipment and motor vehicles. The American automobile companies have already taken steps in anticipation of a widening market.

The Character of American Private Investments Abroad

American private direct investments in foreign manufacturing plants, mines, petroleum fields, utilities, and plantations reached as of the end of 1953, according to the Department of Commerce, the unprecedented figure of $16.3 billion. Judged by the size of the new capital outflow and the rate of the reinvestment of earnings, the nest egg abroad of U. S. private individuals and corporations must have grown to about $18 billion by the end of 1954. This figure does not include American private investments in foreign bonds and securities, which at the end of 1953 were estimated at almost $6 billion. Nor does it include the U. S. Government stake abroad—the loans made by the Export-Import Bank and various Government agencies—which aggregated some $16 billion. Altogether, American private individuals, corporations as well as the U. S. Government, had as of one and a half years ago, something like $40 billion in foreign loans and investments. The total is considerably larger now.

Turning again to the private direct investments of some $18 billion, one sees that these constitute an important factor in the Free World economy. They have made possible the development of foreign natural resources such as petroleum and nonferrous metals and have contributed indirectly to the security of the Free World. The investments in manu-

facturing plants, plantations, and public utilities have enhanced the productivity of the Free World labor and have made possible an increase in the standard of living. Moreover, foreign exchange earnings of a country like Chile, for example, would never have reached the present levels except for the benefit from American direct investments.

As to the type of American direct investments abroad, some 32 per cent of the $16 billions as of the end of 1953 was invested in manufacturing enterprises, 30 per cent in petroleum, 12 per cent in mining, and the balance in public utilities, trading firms, distribution, plantations, and elsewhere. Since 1950, mining has been the fastest growing type of American direct investment abroad, having increased some 70 per cent. Investment in petroleum increased some 45 per cent and in manufacturing about 32 per cent within a four-year period, 1950-54. On the other hand, U. S. investments in overseas public utilities and agriculture have remained more or less stagnant.

As to the geographical distribution, some 37 per cent of U. S. direct investments abroad were located in 1953 in Latin America, with Venezuela, Brazil, Cuba, Chile, and Mexico heading the list in that particular order. U. S. direct investments in Canada, which nearly doubled in the five year, 1949-53, period, accounted for about 32 per cent of the total. Apart from Canada, the countries with the greatest attraction for U. S. long-term capital investments during the 1949-53 period were: Saudi Arabia, Kuwait, Peru (up some 75 per cent), Brazil (70 per cent), Belgium (100 per cent), Netherlands (117 per cent), Great Britain (up 54 per cent), France (65 per cent), South Africa (105 per cent), Liberia (almost 300 per cent) and Australia and New Zealand (more than 100 per cent).

Income on U. S. Foreign Investments

Earnings from operations outside of the United States vary greatly from one corporation to another. In the case of the Standard Oil Company of New Jersey, 77 per cent of the earnings of $584 million came from foreign investments. According to the Department of Commerce, American corporations and individuals earned in 1953 some $2.2 billion on their direct investment abroad of $16.3 billion. This represented a net income of about 13.5 per cent, and compared with 10.6 per cent earned by U. S. leading corporations from their domestic operations in 1953. The higher percentage of income from foreign operations is, of course, natural, in view of greater risks taken. Of the above earnings of $2.2 billion, actually only $1.5 billion was transferred to the United States; the remainder was reinvested abroad.

The rate of earnings varied greatly by industry and by country. In 1953, the latest year for which detailed data are available, petroleum companies earned nearly 25 per cent on their foreign investment; manufacturing corporations earned 13 per cent, and public utilities less than 5 per cent. As for the countries, Venezuela was near the top of the list, with a yield of 27 per cent on investments there, which are mostly in petroleum; most of the Venezuelan earnings were remitted. On the other hand, in Liberia, where U. S. investments in shipping, iron ore and rubber have shown a remarkable expansion in the last few years, the rate of earnings was 21 per cent, with the bulk of earnings reinvested.

The rate of return on investments in Great Britain, the Philippines, Australia, and Colombia was also high. Most of the earnings in Australia were reinvested, while those in Colombia almost entirely remitted. Our direct investments in Canada showed a yield of about 8.4 per cent, with more than half reinvested.

Big Expansion in U. S. Automobiles Operations Abroad

Measured by the volume of new capital invested abroad and by the reinvestment of earnings, American petroleum companies were in the lead in three out of five past years. This year, however, it seems that manufacturing enterprises are leading again, largely as a result of the expansion programs planned by U. S. automobile manufacturers abroad. General Motors alone announced a program last fall which is to cost nearly $200 million. About half of this amount is to be used to raise the production of General Motors' English subsidiary, Vauxhall Motors, to 250,000 cars and trucks a year. GM's German Subsidiary, Opel, is to expand its production by about 60 per cent. In addition, GM's assembly plant in Belgium is to be enlarged.

The expansion of Ford operations abroad also represents an investment of nearly $200 million. The Ford Co. of England is to be streamlined and expanded to produce eventually some 400,000 to 500,000 cars for the British and sterling area markets. In France, the subsidiary of the Italian Fiat Company, Simca, has merged with Ford's French organization and is scheduled to expand production by 50 per cent to 100,000 cars, most of which are to be exported.

Meanwhile the Willys-Kaiser group has cooked up an interesting deal in Argentina, which always has been eager to have a strong automobile industry of her own. With the help of capital subscribed by the Argentine public, the Government company called IAME will erect a plant which will house the idle equipment from Kaiser's Willow Run division. The Company will start making Argentine jeeps and later passenger cars and trucks. By 1959 capacity is to be expanded to 40,000-50,000 cars a year.

Other Deals in Argentina

Still another dream of President Peron's, a modern steel mill, is taking shape with the help of three American companies: the international subsidiary of the Armco Steel Corporation, which designed the plant, A. G. McKee & Co., which will supply the blast furnace, and Westinghouse Electric International Co., which is expected to supply the electrical equipment. The plant, to be called after General Manuel N. Savio, is to be built on the Parana River near Rosario. It will produce some 450,000 tons of finished steel products and together with the older Argentine steel plants will bring up production to almost 800,000 tons. Argentine steel mill requirements run currently at one million tons. However, the new mill will have to import coking coal either from the U. S. or Western Europe; the necessary iron ore is expected to be supplied by Peru. The whole project is expected to cost at least $250 million, of which the U. S. private investors and the Export-Import Bank are to supply $100 million.

The financing of the steel mill will boost U. S. investments in Argentina, once near the top of the list as the favorite of U. S. capital. Practically no new capital has gone to Argentina during the past ten years as a result of (*Please turn to page* 374)

Major U. S. Industrial Companies Operating Abroad

A List of over 200 Companies on the N. Y. Stock Exchange with Plants and/or Subsidiaries in Foreign Countries

ABBOTT LABORATORIES
Canada, England, Australia, S. Africa, India, Portugal, Switzerland, Spain, Sweden, Pakistan, Ireland, France, New Zealand, Belgium, Italy, Philippines, Mexico, Puerto Rico, Chile, Uruguay, Cuba, Brazil, Argentina, Venezuela, Colombia, Peru, Bolivia, Ecuador

ADDRESSOGRAPH-MULTIGRAPH CO.
England, Germany, Canada, France

AIR REDUCTION CO.
Canada, Cuba

ALLIED CHEMICAL & DYE
Canada

ALLIS CHALMERS MFG. CO.
Canada, Mexico

ALUMINUM CO. OF AMERICA
Canada, Venezuela, Panama, Dutch Guiana, Dominican Rep.

AMERICAN AGRICULTURAL CHEMICAL
Cuba, Canada

AMERICAN BRAKE SHOE CO.
Canada, France

AMERICAN CAN CO.
Venezuela, Canada

AMERICAN CHICLE CO.
Canada, Venezuela, Mexico, Peru, Brazil, Colombia, Argentina, Uruguay

AMERICAN CYANAMID CO.
Canada, Mexico, England, Belgium, Germany, India, Japan, Pakistan, S. Africa, Australia

AMERICAN HOME PRODUCTS
Canada, England, Australia, Cuba, Mexico, New Zealand, Argentina, Uruguay, Brazil, Venezuela, Un. of S. Africa, India, Eire, Colombia, Italy

AMERICAN METAL CO.
Canada, England, Switzerland, Mexico, Chile, S. W. Africa, No. Rhodesia

AMERICAN POTASH & CHEMICAL
England

AMER. RAD. & STD. SAN. CO.
Canada, England, Sweden, Belgium, Holland, Switzerland, France, Austria, Germany, Italy

AMERICAN SMELTING & RFG.
Mexico, Canada, Chile, Bolivia, England, Nigeria, Peru, Australia, Nicaragua, Saudi Arabia

AMERICAN TOBACCO CO.
Cuba, Greece, Turkey

ANACONDA COPPER MINING
Canada, Mexico, Chile

ANDERSON, CLAYTON & CO.
Brazil, Argentina, Paraguay, Peru, Egypt, Mexico

ARMCO STEEL CORP.
Canada

ARMOUR & CO., (ILL.)
Cuba, Belgium, Uruguay, Argentina, Spain, Germany, Brazil, England, Scotland

ARMSTRONG CORK
Canada, Spain, Portugal, Un. of S. Africa, France

ATLANTIC REFINING CO.
Belgium, Switzerland, Germany, Spain, Portugal, Cuba, Denmark, Liberia, Venezuela, Canada

AVCO MFG. CO.
Canada

BABCOCK & WILCOX CO.
Canada

BENDIX AVIATION CO.
Canada, Brazil, France

BEST FOODS, INC.
Canada

BETHLEHEM STEEL
Cuba, Canada, Bahama Is., Mexico, Brazil, Chile, Venezuela

BLACK & DECKER MFG. CO.
England

BLAW-KNOX CO.
England, France

BLISS, (E. W.) CO.
England, France, Canada

BORDEN CO.
S. Africa, Canada

BORG-WARNER CORP.
Canada, England

BRIGGS MFG. CO.
England

BRISTOL-MYERS CO.
England, Canada, Australia, New Zealand, S. Africa, Brazil, Mexico, Panama

BRUNSWICK-BALKE-COLLENDER
Argentina, Brazil, Canada, Mexico

BUCYRUS-ERIE CO.
England

BULOVA WATCH CO.
Canada, Switzerland

BURLINGTON INDUSTRIES
Australia, Canada, Colombia, Mexico

BURROUGHS CORP.
Canada, France, Scotland, England, Italy*, Brazil

CALIFORNIA PACKING
Philippines, Hawaiian Is., Alaska

CANADA DRY GINGER ALE
Canada, Cuba, Bermuda, Puerto Rico

CARBORUNDUM CO.
Canada, Germany, England, Norway

CARRIER CORP.
Japan, Argentina

CATERPILLAR TRACTOR CO.
England

CELANESE CORP.
Panama, Canada, Colombia, Brazil, Mexico, Venezuela

CELOTEX CORP.
England

CERTAIN-TEED PRODUCTS
Canada, Gr. Britain*

CHICAGO PNEUMATIC TOOL
Canada, England, Scotland, Belgium, S. Africa, Holland, France

CHRYSLER CORP.
Canada, England, Belgium, Australia

CINCINNATI MILLING MACHINE
England, Holland

CLIMAX MOLYBDENUM
Switzerland

CLUETT, PEABODY & CO.
Canada, Sweden

COCA-COLA CO.
Canada, France, Spain, S. Africa, Brazil, Argentina, Hawaii, Cuba, Australia, Netherlands, Belgium, Morocco, England, Mexico, Italy, Uruguay

COLGATE-PALMOLIVE CO.
Philippines, Argentina, Mexico, Australia, Belgium, Canada, Venezuela, Denmark, England, Holland, India, Netherlands Indies*, New Zealand, France, S. Africa, Switzerland, Cuba, Germany, Brazil

COLUMBIA PICTURES CORP.
England, Mexico, Cuba, Panama, West Indies, Puerto Rico, Venezuela, Uruguay, Belgium, Sweden, Brazil, Australia, Colombia, France, Spain, Italy, Finland, Philippines, Denmark

COMBUSTION ENGINEERING
Mexico, France, Canada, Africa, Brazil, Netherlands, Germany, Australia, Liechentenstein

CONGOLEUM-NAIRN
Brazil, Canada, England

CONTAINER CORP.
Panama, Colombia, Mexico

CONTINENTAL CAN CO.
Canada, Cuba

CONTINENTAL-DIAMOND FIBRE
England, France, Canada

CORN PRODUCTS RFG. CO.
Canada, Mexico

CORNING GLASS WORKS
Canada, Argentina, Chile, Mexico

CRANE CO.
England, Canada

(Continued Next Page)

Major U. S. Industrial Companies Operating Abroad (continued)

COLUMBIAN CARBON
Canada
Cuba

CROWN CORK & SEAL CO.
England
Canada
France
Belgium
Portugal

CROWN ZELLERBACH
Canada

CUDAHY PACKING CORP.
England
Australia

CUTLER-HAMMER, INC.
Canada
England

DANA CORP.
England
Canada
France

DAYSTROM, INC.
England

DE VILBISS CO.
Canada
England

DEERE & CO.
Canada

DIAMOND MATCH CO.
Canada

DIXIE CUP
Canada

DOW CHEMICAL
Canada
Japan

DRESSER INDUSTRIES, INC.
Canada
Argentina
Italy

du PONT, (E. I.) DE NEMOURS
Canada
Mexico
Chile
Uruguay
Argentina
Brazil

EAGLE-PITCHER CO.
Mexico
Canada

EASTMAN KODAK
China
Canada
England
Denmark
Scotland
S. Rhodesia
Poland*
Austria*
Romania*
Italy
Portugal
Germany
Australia
France
Kenya Colony, Af.*

EATON MANUFACTURING
Canada

ELECTRIC AUTO LITE CO.
Canada

ELECTRIC STORAGE BATTERY
Canada
Australia

EVANS PRODUCTS
Canada

FAIRBANKS, MORSE & CO.
Canada
Mexico

FERRO CORP.
Holland
England
Brazil
Argentina
Australia
Canada
Mexico
S. Africa
Japan
France

FIRESTONE TIRE & RUBBER
Brazil
Argentina
Canada
India
Cuba
England
Finland
Uruguay
New Zealand
Switzerland
Un. of S. Africa
Philippines
Spain
Singapore
Venezuela
Ceylon
Pakistan
Liberia
S. Rhodesia
Portugal

FLINTKOTE CO.
Canada
England
Hawaii

FOOD MACHINERY & CHEMICAL
Canada
Cuba
Mexico
Australia
Belgium
England

FOSTER WHEELER CORP.
England
Germany
France
Canada

FRUEHAUF TRAILER
Canada
Brazil

FREEPORT SULPHUR CO.
Cuba

GARDNER-DENVER CO.
S. Africa
Canada
England
Spain
Australia
Mexico

GENERAL DYNAMICS
Canada

GENERAL ELECTRIC
Canada
Argentina
Cuba
Mexico
Brazil
S. Africa
India
Uruguay
England
Java

GENERAL FOODS
England
Ireland
Canada
Mexico
S. Africa

GENERAL MILLS
Canada

GENERAL MOTORS
Canada
England
Germany

GENERAL REFRACTORIES
Austria
Germany

GENERAL SHOE CORP.
Mexico
Panama
Peru
Israel
Canada
England
Austria
New Zealand
Germany
Japan
Australia
Holland

GENERAL TIME CORP.
England
Australia
Canada

GENERAL TIRE & RUBBER
Canada
Venezuela

GILLETTE CO.
Canada
England
Argentina
Australia
S. Africa
Norway
Sweden
Denmark
Holland
Belgium
France
Germany
Switzerland
Italy
Brazil
Mexico

GLIDDEN CO.
Canada

GOODRICH, (B. F.)
Canada

GOODYEAR TIRE & RUBBER
Brazil
Australia
England
Peru
Argentina
Sweden
Canada
S. Africa
Cuba
Indonesia
Mexico
Costa Rica
Luxembourg
China
Japan

GRACE, (W. R.) & CO.
Chile
Peru
Colombia
Bolivia

GULF OIL CORP.
Liberia
Brazil
England
France
Venezuela
Bahama Is.
Barbados

HALLIBURTON OIL WELL
Venezuela
Canada
Peru
Bahrein Is.
Mexico
Saudi Arabia
Sumatra
Italy

HARBISON-WALKER REFRACTORIES
Canada
Brazil

HEINZ, (H. J.) CO.
Canada
England
Australia
Spain

HERCULES POWDER CO.
Canada
England
Holland
Venezuela

HOOKER ELECTROCHEMICAL
Canada

INGERSOLL-RAND CO.
England
Spain
Australia
France
S. Africa
Peru
India
Brazil
Mexico
Cuba
Belgium
Portugal
Canada

INTERCHEMICAL CO.
China
Philippines
Mexico
Canada
S. Africa

INT'L BUS. MACHINES
Canada
Belgium
Holland
Italy
England
Germany
France
Switzerland

INT'L HARVESTER CO.
Canada
Switzerland
Brazil
Mexico
Gr. Britain
E. Africa
Germany
Sweden
Denmark
Belgium
Spain
Argentina
Cuba
Uruguay
New Zealand
S. Africa
Philippines
Australia
France

INT'L MINERALS & CHEMICAL
Canada
England

JOHN-MANVILLE CORP.
Belgium
Gr. Britain
Canada
Mexico
Colombia
Scotland

JOY MANUFACTURING CO.
Canada
S. Africa
Peru
England
Australia
Morocco

KENNECOTT COPPER
Chile
Canada
Un. of S. Africa

LEHN & FINK PRODUCTS
Canada
England
France
Germany
Brazil
Argentina

LIBBY, McNEILL & LIBBY
Canada
Philippines
Belgium
England
Hawaii
Germany

LIGGETT & MYERS TOB. CO.
Greece
Turkey

LINK-BELT CO.
S. Africa
Canada

LOEW'S INCORPORATED
Canada
France
Italy
Netherlands
Japan

LONE STAR CEMENT CORP.
Cuba
Uruguay
Argentina
Brazil

MacANDREWS & FORBES CO.
England
Greece
Asiatic Turkey
Near East
Italy

MASONITE CORP.
Canada
Africa
Australia

MERCK & CO.
England
Canada
Mexico
Philippines
S. Africa
Cuba

MINNEAPOLIS-HONEYWELL REGULATOR
Netherlands
Belgium
Switzerland
Mexico
Cuba
Canada

MINNEAPOLIS-MOLINE
Canada
Argentina

MINNESOTA MINING & MFG.
Canada
Germany
England
Mexico
France
Brazil
Argentina
Australia

MONSANTO CHEMICAL
Canada
Gr. Britain
Australia
India
Japan
Argentina
Brazil
France
Mexico

MORRIS (PHILIP), INC.
England
Australia
Germany

NAT'L. BISCUIT CO.
Canada
England
Venezuela

(Continued Next Page)

Major U. S. Industrial Companies Operating Abroad (continued)

NAT'L. CASH REGISTER
Subsidiaries operate in 32 countries around the world.

NAT'L. DAIRY PRODUCTS
England
Germany
Canada
Australia

NAT'L. LEAD CO.
Netherlands
Canada
Gr. Britain
Mexico
Argentina
Hawaii
Australia
Cuba
Germany
Norway
Brazil
France

OLIN MATHIESON CHEMICAL CORP.
Panama
France
Peru
Canada
Mexico
Colombia
Uruguay
Argentina
Brazil
Philippines
England
Turkey
Cuba

PARKE, DAVIS & CO.
Mexico
Panama
India
Argentina
Cuba
England
Canada
Brazil
Puerto Rico
Australia

PENNSYLVANIA SALT MFG.
Mexico
Venezuela
Brazil

PFIZER, (CHAS.) & CO.
Canada
Mexico
Puerto Rico
Cuba
Panama
Brazil
Gr. Britain
Belgium

PHELPS DODGE CORP.
Mexico
Chile

PHILCO CORP.
Canada
Gr. Britain
Mexico
Brazil
Colombia

PHILLIPS PETROLEUM CO.
Canada
Venezuela

PITTSBURGH PLATE GLASS
Canada
Brazil
Belgium
Argentina

PROCTER & GAMBLE CO.
Canada
Cuba
Philippines
Java
S. Africa
Mexico
Gr. Britain
Venezuela

RADIO CORP. OF AMERICA
Argentina
Chile
Mexico
Canada
England
Cuba
Brazil
Italy
Greece
Spain

RHEEM MANUFACTURING CO.
Australia
Brazil
Far East
Canada
Argentina
England
Peru
Philippines

REMINGTON RAND INC.
Argentina
Brazil
Cuba
Mexico
Canada
England
Peru
Sweden
Belgium
Netherlands
Norway
Italy
Uruguay
Venezuela
India
Scotland
France
Germany
Japan

REPUBLIC STEEL
Canada
Liberia
Venezuela

REVERE COPPER & BRASS
Brazil

REYNOLDS METALS
Cuba
Panama
Canada
Mexico
Jamaica, B.W.I.

REYNOLDS, (R. J.) TOBACCO
Greece

ROHM & HAAS CO.
Canada
Gr. Britain
Argentina
France

ST. JOSEPH LEAD CO.
Canada
Argentina

ST. REGIS PAPER CO.
Canada
Belgium
Brazil
Argentina

SCHERING CORP.
Brazil

SCOVILL MANUFACTURING CO.
Canada
England

SEARS, ROEBUCK
Venezuela
Mexico
England
Cuba
Brazil
Colombia

SIMMONS CO.
Mexico
Canada
England
Cuba
Puerto Rico
Argentine

SOCONY MOBIL OIL CO.
World-wide operations are centered in 29 countries in Europe and Africa.

SPERRY CORP.
England
Canada

SQUARE D CO.
Mexico
Canada

STANDARD BRANDS INC.
Canada
Cuba
S. Africa
England
Brazil
Argentina
Colombia
Peru
Uruguay
Ecuador

STANDARD OIL OF CALIFORNIA
Foreign activities are carried on in 36 countries in Europe, Africa, Australia, Latin America, Middle and Far East.

STANDARD OIL CO. (N. J.)
Through principal affiliates has producing, refining and/or other facilities in 51 countries in Latin America, Europe, North Africa, Middle and Far East.

STERLING DRUG, INC.
Canada
S. Africa
England
Panama
Costa Rica
Guatemala
Honduras
Argentina
Mexico
Peru
New Zealand
Chile
Uruguay

STEWART-WARNER
Canada
England

SUN CHEMICAL CORP.
Canada
Mexico

SUN OIL CO.
England
Holland
Belgium
Canada

SUNBEAM CORP.
Canada
Australia

SYLVANIA ELECTRIC PRODUCTS
Canada
Brazil
Puerto Rico

TEXAS CO.
Canada
Mexico
Panama
Puerto Rico
Uruguay
Cuba

TEXAS GULF SULPHUR
Canada
Mexico
Iraq

TIDE WATER ASSOC. OIL
Canada
Mexico*
Germany
Hawaii
Philippines

TIMKEN ROLLER BEARING CO.
England
Canada

20th CENTURY-FOX FILM
Canada
England
Brazil
Australia
Cuba
Trinidad
Panama
Peru
Puerto Rico
Finland
Philippine Is.

UNION BAG & PAPER CORP.
Venezuela

UN. CARBIDE & CARBON
Canada
Norway

UNION OIL CO. OF CALIF.
Canada
Costa Rica
Colombia

UNITED DYE & CHEMICAL
Scotland
France
Italy
Belgium
Jamaica B.W.I.
Corsica
Argentina

UNITED FRUIT CO.
Cuba
Panama
Costa Rica
Guatemala
Jamaica B.W.I.
Honduras
Canada
Gr. Britain

UNITED MERCHANTS & MFGS.
Canada
Argentina
Venezuela
Uruguay

U. S. GYPSUM CO.
Canada
Panama

U. S. PLYWOOD
Canada
Africa
Panama

U. S. RUBBER
England
Canada
Malay
New Zealand
Netherland E. Indies
Brazil
Argentina
Belgium

U. S. STEEL CORP.
Venezuela
Canada*
England*
Peru
Cuba
Argentina
Mexico
Puerto Rico
Brazil

VANADIUM CORP. OF AMERICA
Canada
S. Africa
Peru

VICK CHEMICAL CO.
Argentina
Brazil
Canada
Colombia
Mexico
S. Africa
Australia
England
Philippines
France
Belgium
Indonesia
Ireland
Switzerland

WARNER BROS. PICTURES
Gr. Britain
Canada

WARNER-LAMBERT
Brazil
S. Africa
Argentina
England
Mexico
Italy
Australia
Canada
New Zealand
Belgium
Switzerland
The Netherlands
Spain

WESTINGHOUSE ELEC. CORP.
Brazil
India
Mexico
Canada

WILSON & CO.
Argentina
Brazil
Australia
New Zealand

WOOLWORTH, (F. W.) CO.
Canada
England
Germany
Cuba

WORTHINGTON CORP.
Canada
Mexico
Italy
Germany
Austria
Brazil
Spain
France
England

WRIGLEY, (WM.) JR. CO.
Peru
Singapore
England
New Zealand
Canada
Australia

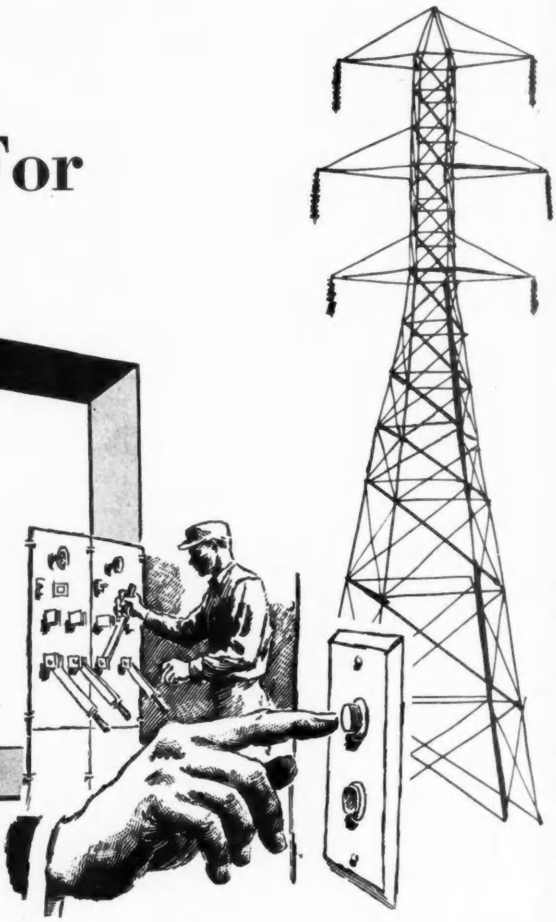
YALE & TOWNE MFG. CO.
Germany
Canada
England

* Inactive

Source: N. Y. Stock Exchange

No. 10 of Our Special Studies of Major Industries

1955 Outlook For the PUBLIC UTILITIES



By OWEN ELY

The growth outlook for the electric utilities continues to be excellent over the foreseeable future. KWH output in recent weeks has been running about 15% over last year, although part of this gain is due to the rapid increase in the amount of power taken by the Atomic Energy Commission. The Commission requirements for the week ended April 30th was reported to be 713 million KWH or 7% of the country's entire output. However, excluding the electricity taken by the Commission, the increase in that week was still in excess of 11%, a very healthy rate of gain. Residential consumers in February took nearly 13% more power than a year ago, small light and power consumers about 10% and large light and power (including the AEC) nearly 18%; total revenues for the month were up nearly 10%.

The industry's construction program was speeded up last year, and as of March installed capacity approximated 105 million kilowatts. This compared with 93 million a year earlier, or an increase of nearly 13%. The number of customers served by the electric power and light industry increased only 2.6% last year, so that the increase in sales largely reflected increased use per customer.

Long range estimates for future expansion of the electric power industry vary considerably but there is general agreement that the industry will double every two or three decades. Thus the Edison Electric Institute's Power Survey Committee has estimated that by 1975 the national peak load will range from 252 million KW to 367 million KW, as compared with 89 million in 1954 and 64 million in 1950. These estimates assume annual increases (compounded) of 5.4% and 6.8% respectively, although the average increase during 1938-53 was 7.8%.

Construction activity in the electric power industry was abnormally large in recent years because the industry was trying not only to catch up with demand, but also to increase its margin of reserve capacity, which during the World War II had slipped to as low as 6%. At the end of 1954 this reserve amounted to nearly 22%, so that from here on the construction program can taper off somewhat, merely keeping up with growth.

Of course growth is at differing rates in various sections of the country. Arizona is probably the fastest growing state. Texas, Florida and California are still expanding rapidly and some of the most popular "growth" utilities are located in Texas, Florida and Arizona. Certain industrial spots in the east are doing quite well and the opening of new toll roads, the coming construction of the St. Lawrence Seaway, etc., are stimulating regional factors.

The heavy construction program of the electric utilities has introduced new factors into individual earnings statements, which analysts and investors

Comparative Earnings, Dividend Record and Comment on Important Electric Utilities

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1952	1953	1954	1952	1953	1954	Price	Yield(†)	1954-1955
American Gas & Electric	$2.36	$ 2.49	$ 2.52	$ 1.50	$ 1.60[1]	$ 1.80[2]	45	4.0%	48½-33¾
Baltimore Gas & Electric*	1.79	1.68	1.89	1.40	1.40	1.60[2]	34	4.7	34⅜-26⅝
Central & South West Corp.	1.60	1.72	2.00	.95	1.04	1.32[2]	32	4.1	36¼-23⅛
Cincinnati Gas & Electric	1.40	1.56	1.71	1.00[1]	1.00	1.20[2]	26	4.6	27¾-20⅞
Cleveland Electric Illum.	3.45	4.07	3.86	2.60	2.60	2.60	68	3.8	71¼-53½
Commonwealth Edison	2.25	2.38	2.70	1.80	1.80	1.80[3]	40	4.5	48¾-36⅞
Consolidated Edison	2.63	2.94	2.98	2.00	2.30	2.40	49	4.9	51⅝-40⅞
Consumers Power Co.	2.65	3.16	3.10	2.00	2.15	2.20	47	4.6	50⅞-38⅞
Dayton Power & Light	2.85	2.78	2.88	2.00	2.00	2.00	45	4.4	46¾-37
Detroit Edison	1.71	1.92	2.05	1.40	1.50	1.60	35	4.5	37½-28⅝
Duquesne Light Co.	2.10	2.22	2.26	1.50	1.55	1.80[2]	35	5.1	37⅛-28¼
General Public Utilities	2.17	2.30	2.42	1.45	1.60	1.70	36	4.7	36⅞-28⅛
Illinois Power Co.	2.89	2.74	2.82	2.20	2.20	2.20	52	4.2	52⅞-40
Indianapolis Pr. & Lt.	1.49	1.60	1.62	1.00	1.02	1.20[2]	25	4.8	26⅞-19⅝
Middle South Utilities	1.86	2.06	2.13	1.25	1.37½	1.50[2]	31	4.8	35⅝-26¾
New England Electric System	1.18	1.18	1.16	.87½	.90	.90	17	5.2	18 -13¾
Niagara Mohawk Power	1.92	2.03	2.11	1.60	1.60	1.60	33	4.8	33⅞-27⅜
Northern States Power	1.01	1.10	1.07	.70	.70	.80	16	5.0	17⅛-13¾
Ohio Edison	2.97	3.15	3.02	2.05	2.20	2.20	48	4.5	49 -38½
Pacific Gas & Electric	2.30	2.82	2.88	2.00	2.05	2.20	48	4.5	48¾-39⅛
Philadelphia Electric	2.20	2.36	2.25	1.50	1.55	1.80[2]	39	4.6	40⅜-32¼
Public Service Elec. & Gas	1.93	1.80	1.96	1.60	1.60	1.60	31	5.1	33¼-25½
Public Service of Indiana	2.39	2.36	2.39	1.80	1.85	2.00	41	4.9	43 -35⅝
Southern California Edison	3.33	2.68	3.06	2.00	2.00	2.40[2]	49	4.8	51⅛-37⅞
Southern Co.	1.18	1.24	1.29	.80	.80	.90[2]	20	4.5	21⅛-15⅞
Utah Power & Light	2.54	2.61	2.88	1.80	1.80	2.20[2]	47	4.6	47 -34½
Virginia Electric & Power	1.74	1.78	2.20	1.35	1.40	1.60[2]	38	4.2	38⅜-27
Wisconsin Electric Power	2.77	2.16	2.31	1.40	1.50	1.50	32	4.6	35 -28¾

* Name changed from Consol. Gas, Elec. Lt. & Pr. of Balt.

† Based on 1954 dividend.

[1] Plus stock.

[2] Indicated 1955 rate.

[3] Plus 1 sh. Nor. Ill. Gas for every 25 sh. held.

American Gas & Electric: Has good growth record, diversified industrial load and is pioneering in large-scale engineering developments. Occasional stock dividends supplement increasing cash payments. (H)

Baltimore Gas & Electric: Conservative old-line company with rapidly growing natural gas division. Received rate increase last June, dividend recently raised to $1.60. (H)

Central & South West: Excellent growth record. Last year's big earnings gain partly due to heavy air-conditioning load. May earn about $2 again this year, on increased shares. (H)

Cincinnati Gas & Electric: Well-managed old-line utility with 102-year dividend record. Local industry is of stable type, and public relations are now excellent. Payout conservative. (H)

Cleveland Electric Illuminating: Located at center of nation's leading industrial area. While heavy industry dominant, cyclical trend offset by high equity ratio. Yield on low side. Bond rating Aaa. (H)

Commonwealth Edison: Recently distributed stock of gas subsidiary, but improving electric earnings expected to take up slack; eventual $2 dividend possible. Conservative management, Aaa bond rating. (H)

Consolidated Edison: Largest electric-gas utility. Growth slower than average, though aided by reconstruction, modernization, air-conditioning. Heavy residential load lends stability. (H)

Consumers Power: Serves a large diversified industrial and rural territory in Michigan, outside Detroit. Earnings for 1955 should better the $3.10 a common share of 1954. Minimum dividend of $.55 quarterly is expected to continue. (H)

Dayton Power & Light: Gas house-heating business growing rapidly, with former restrictions lifted. An increase in the $2 dividend seems a possibility. (H)

Detroit Edison: Benefiting by current automotive activity, earnings are expected to increase to $2.25 this year vs. $2.05 last year, with possibility of a dividend increase. (H)

Duquesne Light: Company has benefited in recent years by rate increases and generating economies. Gains in residential sales anticipated. (H)

General Public Utilities: Successor to Associated Gas, aggressive management has worked wonders in improving capital set-up, generating efficiency, etc. Further gains in earnings probable. (H)

Illinois Power: Company has enjoyed better than average growth. While share earnings have "made a line" they are now improving due to a rate increase received last July. (H)

Indianapolis Power & Light: Share earnings have shown relatively little gain since 1946, although revenues doubled; dividend payout has increased but remains conservative. (N)

Middle South Utilities: Handicapped marketwise by so-called "Dixon-Yates" controversy, but reasonably priced in relation to earnings and dividends, especially compared with other growth utilities. (H)

New England Electric System: System set-up and financial picture greatly improved in recent years, and over next year or so the old $1 dividend rate may be restored. Company in new "hurricane belt." (H)

Niagara Mohawk Power: Earnings are expected to improve to around $2.25 a share this year, with possibility of dividend increase. Gas division growing rapidly. (H)

Northern States Power: Earnings for 1955 estimated around $1.15, continuing moderate uptrend of past four years. Company operates in stable area, with relatively low industrial load. (N)

Ohio Edison: Relatively high industrial load contributes 37% of revenues. Share earnings steady in recent years, equity ratio above average. Dividend increase to $2.40 possible in 1955-6. (H)

Pacific Gas & Electric: Second largest electric-gas company with tremendous gain in revenues over past two decades. Share earnings remarkably steady, have shown some improvement in recent years. (H)

Philadelphia Electric: Benefiting by big industrial development in its eastern area, company is planning to add substantial generating capacity. Yield slightly below average, reflecting Aaa bond rating. (H)

Public Service Electric & Gas: While past earnings record has been disappointing, improvement is now anticipated (12 months from March $2.11 vs. $1.75). Yield of 5.2% above average. (H)

Public Service of Indiana: While share earnings "made a line" in recent years, substantial new generating capacity and a possible rate increase (requested in May, 1955) are favorable factors. (H)

Southern California Edison: Earnings this year estimated at $2.35-$2.50 (reflecting last July's rate increase) but this may be slightly reduced by conversion of preferred stocks. Low water handicapping hydro operations. (H)

Southern Company: Has enjoyed good growth and load is well diversified. New steam capacity is helping reduce adverse effects of droughts on hydro operation. (H)

Utah Power & Light: Share earnings have improved moderately in recent years, dividend rate increasing from $1.20 to $2 (67% payout). Business well diversified, mining not too important. (H)

Virginia Electric & Power: Large new generating units (steam and hydro) together with the rate increase of March 1954 are benefiting share earnings. Dividend rate recently increased. (H)

Wisconsin Electric Power: Company noted for its conservative accounting policies and efficient operations. Earnings this year expected to compare favorably with last year's $2.09. (H)

RATING—(H)—Hold. (N)—Neutral.

1954 Key Statistics and Ratios of

	American Gas & Elec.	Baltimore Gas & Elec.	Central & South West Corp.	Cincinnati Gas & Elec.	Cleveland Elec. Illum.	Common-wealth Edison	Consolidated Edison
PLANT VALUE (MILLIONS) GROSS	$1,096	$348	$471	$290	$386	$1,349	$1,743
Depreciation Reserve	221	70	71	64	98	330	344
Net Plant Account	875	278	400	226	288	1,019	1,399
CAPITAL RATIOS							
Funded Debt to Total Capitalization	57	50	56	51	46	51	45
Preferred Stock to Total Capitalization	10	10	11	12	9	....	12
Common Stock & Surplus to Total Capitalization	33	40	33	37	45	49	43
ANALYSIS OF REVENUES — ELECTRICITY %	100	71	100	64	96	100	80
Gas %	....	27	....	36	....	....	15
Miscellaneous %	....	2	....	....	4	....	5
INCOME ACCOUNT (Consolidated)							
Gross Revenues (Millions)	$ 230	$107	$104	$ 95	$ 93	$309	$473
Operating Expenses (purch. pow. or gas)	85	54	34	50	38	133	198
Maintenance	20	7	8	5	6	20	48
Depreciation	28	8	10	6	10	32	43
Taxes — Federal Income	29	13	15	11	11	35	40
Taxes — Other	18	8	7	6	8	36	70
Net Operating Income (after all taxes)	50	16	27	15	17	51	69
Gross Income	51	16	27	15	17	58	69
Fixed Charges, etc.[1]	14	4	7	3	4	13	19
Net Income (Consol. Net Inc.)	36	12	18	13	14	44	50
EXPENSE RATIOS							
Ratio Depreciation to Gross Revenues	12	8	10	7	11	10	9
Maintenance to Gross Revenues	9	7	7	6	6	6	10
Combined Deprec. & Maintenance to Gross Rev.	21	15	17	13	17	16	19
Operating Ratio (including taxes)	78	85	74	83	81	83	85
EARNINGS RATIO							
No. Times Fixed Charges Earned after Taxes[1]	3.5	4.0	4.0	5.3	4.4	4.3	3.5
ANALYSIS OF ELECTRIC REV. (% of Total)							
Residential & Rural	19	34	38	35	33	34	34
Commercial	8	31	26	25	58[2]	29	55[2]
Industrial	56	33	27	29	....	26	....
Other	17	2	9	11	9	11	11
COMMON STOCK — Recent Price	$ 44	$ 34	$ 32	$ 26	$ 68	$ 40	$ 49
Indicated Dividend Rate	$ 1.80	$ 1.60	$ 1.32	$ 1.20	$ 2.60	$ 1.80	$ 2.40
Dividend Yield	4.0%	4.7%	4.1%	4.6%	3.8%	4.5%	4.9%
Earned Per Share on Common Stock in 1954	$ 2.52	$ 1.89	$ 2.00	$ 1.71	$ 3.86	$ 2.70	$ 2.98
Price-Earnings Ratio	17.4	18.0	16.0	15.2	17.6	14.8	16.4
Dividend Pay-out %	71%	74%	66%	70%	67%	66%	80%

[1] Includes interest on construction credit.
[2] Combined commercial and industrial.

have now learned to watch. These are (1) the timing and amount of new equity financing; (2) whether "average shares" or "actual shares" are used as a basis for reporting share earnings; (3) the interest on construction credit; and (4) five-year accelerated amortization. Taking these up in order:

1. Some rapid growth companies, such as Southwestern Public Service, have been issuing common stock regularly each year for a number of years. Some other companies which have also been doing this regularly in the past now find themselves able to skip a year, since their equity ratios have been built up to respectable levels (around 35%) and the amount of new construction is running somewhat smaller. The omission of equity financing gives the company a chance to "catch up" and earnings should normally benefit thereby.

Analysts are always interested in learning the timing and character of equity financing. This is particularly true of rights subscriptions which frequently depress the price of a stock by 5% or 10%. Sagacious investors can frequently pick up bargains during these periods when rights are being offered; sometimes they can do this best by picking up the rights at low fractions such as 1/16 or 1/32, which permits them to obtain the new stock at the subscription price without paying a commission (except of course that there is a small commission on the purchase of the rights). Some investors may open "special subscription accounts" which permit the borrowing of 75% on newly offered stock (regardless of the usual 25% margin rule). When the stock

Important Utility Companies

Consumers Power	Detroit Edison	Middle South Util.	Niagara Mohawk Power	Northern States Power	Ohio Edison	Pacific Gas & Elec.	Phila. Elec.	Public Service Elec. & Gas	Southern Calif. Edison	Southern Company	Union Electric (of Mo.)
$612	$761	$601	$852	$447	$476	$2,052	$812	$865	$834	$910	$525
99	140	96	215	84	85	380	160	194	142	146	114
513	621	505	637	363	391	1,672	652	671	692	764	411
44	55	54	50	46	42	47	47	53	47	56	49
14	....	9	15	21	17	20	13	7	16	14	15
42	45	37	35	33	41	33	40	40	37	30	36
68	97	83	82	87	98	68	84	70	100	99	94
31	....	10	18	11	....	31	14	30	....	....	3
1	3	7	....	2	2	1	2	....	....	1	3
$170	$195	$143	$210	$117	$109	$386	$196	$249	$153	$193	$114
83	93	57	88	50	39	152	81	109	53	74	40
11	16	9	18	7	8	15	17	24	9	11	9
13	16	15	17	10	12	39	20	18	17	24	13
21	16	17	19	15	19	50	31	25	22	27	14
7	16	14	27	13	8	45	7	31	18	14	10
31	33	28	37	22	23	83	38	39	33	41	25
33	33	28	37	22	23	84	38	39	35	42	25
6	10	8	9	4	3	19	7	11	8	18	6
26	22	19	28	17	20	63	31	27	27	23	19
8	8	10	8	9	10	10	10	7	11	13	11
7	8	6	9	6	7	4	9	10	6	6	8
15	16	16	17	15	17	14	19	17	17	19	19
81	83	79	82	89	79	78	80	84	80	78	77
5.3	3.3	3.4	4.1	5.1	8.1	4.4	5.1	3.6	4.2	2.3	4.1
42	40	35	31	42	40	46	33	35	43	35	33
21	28	25	18	56[2]	23	45[2]	22	30	21	26	21
32	28	28	38	....	32	....	34	32	25	29	32
5	4	12	13	2	5	9	11	3	11	10	14
$ 47	$ 35	$ 31	$ 33	$ 16	$ 48	$ 48	$ 39	$ 31	$ 49	$ 20	$ 30
$ 2.20	$ 1.60	$ 1.50	$ 1.60	$ .80	$ 2.20	$ 2.20	$ 1.80	$ 1.60	$ 2.40	$ .90	$ 1.40
4.6%	4.5%	4.8%	4.8%	5.0%	4.5%	4.5%	4.6%	5.1%	4.9%	4.5%	4.6%
$ 3.10	$ 2.05	$ 2.13	$ 2.11	$ 1.07	$ 3.02	$ 2.88	$ 2.25	$ 1.96	$ 3.06	$ 1.29	$ 1.65
15.1	17.5	14.5	15.6	15.0	15.9	16.6	17.3	15.8	16.0	15.5	18.1
71%	78%	70%	75%	74%	72%	76%	80%	81%	78%	70%	84%

recovers from the temporary depression in price resulting from the financing, the percentage profit on the investment is multiplied by four. (Formerly good profits were also made from dividends as compared with the lower interest rate on the loan, but this factor is now less favorable.)

2. Many companies now reduce the immediate diluting effect of equity financing by using average shares, while some still use actual shares. Hence it is important to note what any particular company does in this respect.

3. There is an artificial item which also tends to offset the dilution mentioned above—the setting up of a bookkeeping account called "Interest on Construction Credit". This means that as soon as the money resulting from *any* financing (bonds, preferred or common) is actually employed in construction work, it is assumed to be earning 6% (this is the figure usually employed). However, since the property is not yet in operation this credit is placed in fixed charges. Actual experience has shown, however, that after the new units go into operation there is a lag before they really contribute 6% in real earnings. Hence there is an interval between the time when the interest credit disappears, and the time when actual earnings pick up—and during this period share earnings are apt to decline. Thus it becomes necessary to watch the interest credit (converted into cents per share).

4. Very few companies now report share earnings as including the tax savings due to accelerated amortization. But it's important to note whether the

earnings are overstated in this manner as compared with the general practice.

There is another phase of utility financing that is of special interest these days—the issuance of convertible preferred stocks or convertible debentures. These issues are frequently more interesting than the equity stocks of the same companies, since investors who buy substantial amounts can usually borrow more heavily at the banks on these senior issues (particularly debentures) than they could on the common stocks. Sometimes the bonds are not made convertible until a year or more after issuance, so that they sell at a discount from conversion parity, affording an additional profit when the discount is made up. Debentures can sometimes be "leveraged" through loans to afford eventually high percentage profits. This has been particularly true of the American Telephone & Telegraph debentures which are issued about every year and a half.

Of course the bull market has been an important factor in these profitable "deals"; in a bear market the going would not be so good. However, most of the debentures have a "floor"—a price at which they would become attractive purely for yield. Thus for the initial investors (who bought at a relatively low price) there is usually a greater degree of protection on the down side than in the common stock.

Detroit Edison Convertibles have been selling recently around 136 and are convertible into four shares of stock for each $100 bond. With the common stock selling at 35½, the conversion parity would be 142, but conversion cannot be made until next February. The "discount" is thus 6 points. Recently Southern California Edison issued about $40 million Convertible Debentures, but in this case the conversion cannot be made until January 1957, at which time one third of the issue can be converted. This issue has proved particularly popular and is selling close to the conversion level instead of at a discount—apparently indicating a belief that earnings and dividends of this company may increase in the next two years, resulting in a higher price for the common stock.

Market Action Quieter

The general market for utility stocks has been rather apathetic in recent months, however. In early March the utilities made a new high at the same time as industrials, but while industrial and rail stocks established new high levels in April utilities were unable to get back to the March peak, and recently shared in the general decline—although still selling higher than the low level of March 14th following the market break.

There have been some utility specialties which have spurted to high levels, notably General Telephone which advanced from 34⅝ early in the year to a recent high of 57 on a higher dividend. The electric utility "growth" stocks have also done well. The Florida utilities have been outstanding this year, gaining a market "parity" with Texas high flyers such as Houston Lighting, Texas Utilities, etc. Florida Power & Light advanced from last year's low of 38½ to a recent high of 71; Florida Power Corp. from last year's low of 28 to a recent 48½ (now, however, off to 43½ on rights financing); and Tampa Electric, on the American Stock Exchange, rose from 17⅜ (adjusted for split-up) to the recent high of 30¼.

The Arizona utility stocks have also done moderately well—Arizona Public Service going from last year's low of 17⅜ to recent price around 26, and Tucson Gas Electric Light & Power from 18¼ to 27½. Texas issues had their innings somewhat earlier—Houston Lighting rose from 28 last year to 47 (now lower) and Texas Utilities from 46½ to 73.

Have the growth utilities "discounted" the rising trend of share earnings over the next two or three years? They are now selling at about 18-20 times earnings compared with about 14-16 for other utilities. Some of the yields have dropped to low levels, such as Florida Power & Light's 3%. In other words, are these stocks overpopular? At the moment there appear to be better bargains in other sections of the list although a few growth stocks, such as Central & South West, El Paso Electric and Tucson are perhaps not too far out of line with the industry averages.

To some extent utility yields are affected by interest rates. This was particularly true in the spring of 1953 when rapidly rising interest rates resulted in a sharp decline in utility stock prices. (The lost ground was recovered later in the year, after the Administration reversed its money policy.) At the present time there is a slow but rather persistent increase in money rates which may be acting as a handicap to the utility market. Also this is the period of the year when equity financing is actively in progress, which may also be a retarding influence.

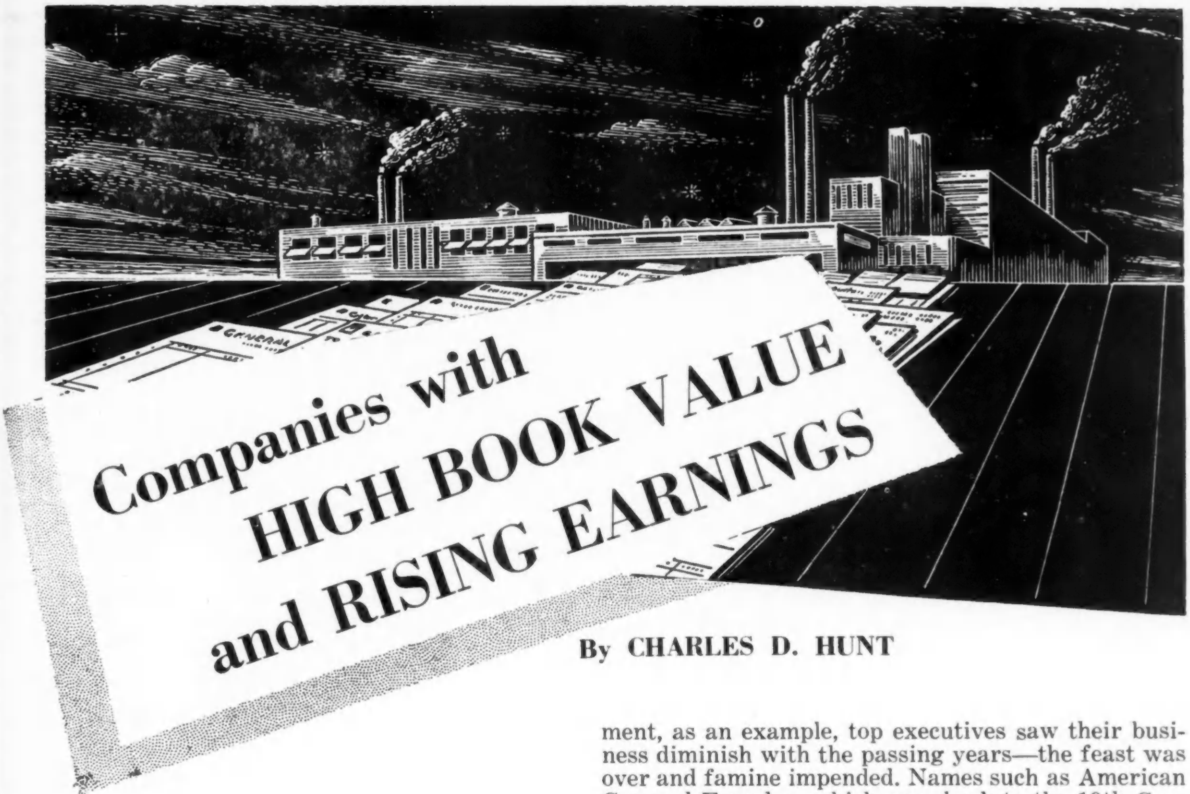
Administration Policies Favorable

The utilities have benefited considerably by the policies of the Eisenhower Administration. This has been reflected not only in the more rational regulatory philosophy of the Federal Power Commission but in the new idea of "partnership" between public agencies and private groups in the development of huge hydro projects. Several of these projects, involving hundreds of millions of dollars, were recently announced in the Pacific Northwest. Accordingly there may be increased long-pull opportunities for appreciation in the stocks of utilities in this area, such as Pacific Power & Light, Washington Water Power, Puget Sound Power & Light, Portland General Electric, etc.

These huge hydro projects, such as the John Day and Mica Creek proposals, will involve large loans from insurance companies so that the equity investment might in time (after four or five years, perhaps) prove very profitable because of the leverage. The new proposals are set up in novel form. The utilities propose merely to buy the power for a long period of years, and not the dam itself.

Even the power plant may remain the property of the Federal Government, although the utilities will pay for the entire construction bill. This seems designed to circumvent the "give away" charge made by New Deal Democrats against the Eisenhower power program. Details as to the financing of these projects are not yet available but they would presumably be based on long-term purchase contracts for the power to be produced, with insurance companies having a prior claim.

Under earlier administrations some of the State commissions took their cue from the Federal commissions at Washington in antagonizing the utilities. Washington agencies are reported to have done considerable "missionary work" (largely unofficially, of course) among the State commissions in favor of rigidly defined low rate bases, low "cost of money" rates of return, etc. But this attempt to spread the New Deal anti-utility (*Please turn to page 373*)



Companies with HIGH BOOK VALUE and RISING EARNINGS

By CHARLES D. HUNT

In these days of bitter proxy fights designed to wrest control of management from long-standing incumbents the phrase "book value" is ubiquitous. Whether the contest involve a giant railroad or a mercantile empire, the "outs" invariably have insisted that the "ins" have not utilized the high assets of the company to generate greater earning power. On the other side, the "ins" have insisted that the times had not been propitious.

It is not always easy for the shareholder, far removed from the business he owns but which other people are struggling to control, to decide whether expansion or retrenchment is the proper course. Even the term "book value" may mystify him. Encyclopedia Britannica defines it thusly:

"The book value of a share of common stock in a company having no preferred issues is determined by dividing the excess of assets over liabilities by the number of shares outstanding. The market value of the share as indicated by quotations on a securities exchange might be higher or lower than the book value of the share. Generally speaking, there need not be any close coincidence between the book value and the appraised value or the market value."

In the light of the unprecedented business boom that has taken place in the post-war decade, the expansionist advocates would appear to have guessed right. Indeed, it may explain, in large measure, the success achieved by insurgents in many of these struggles for company control.

Making Assets Pay Off

But it is not alone fear of a challenge to its stewardship that has impelled management to get off its assets. In the case of the makers of railroad equipment, as an example, top executives saw their business diminish with the passing years—the feast was over and famine impended. Names such as American Car and Foundry, which goes back to the 19th Century, disappeared, becoming ACF Industries. The company had gone into electronics and other fields, lessening its dependence on rail equipment. Pullman, kingpin of the rail-equipment field, moved into the manufacture of truck trailers and oilfield gear. American Locomotive became Alco Products and a factor in atomic energy.

It hasn't always required the edict to diversify or die to get an industry off on an expansion spree. Sometimes the emergence of a new product will convince companies of the wisdom of using long frozen assets. The office-equipment people are a case in point. Development of the electronic computer sent companies such as Underwood, National Cash Register and Remington Rand into the market place for upcoming small companies that had developed this newest adjunct to business efficiency.

A merger that stemmed from the quest for a profitable outlet for cash surplus by an under-invested company came about in 1953. United Paramount Theatres, Inc., possessed of an important chain of movie houses around the country and lots of spare cash, merged with American Broadcasting Co., Inc. ABC had been badly outdistanced in the scramble for top television shows and lacked the funds to compete with the big networks. Business picked up sharply after the merger and it is no secret that the financially strengthened company has been giving Radio Corp. of America and Columbia Broadcasting System effective competition with its improved programming.

The daddy of all modern mergers would wed Youngstown Sheet & Tube to Bethlehem Steel. Sheet and Tube, with a "book" of \$97, sold as low as $67\frac{1}{2}$ this year. The Government has taken a dim view of their plan to merge, but these companies have not given up. They have promised to increase their com-

bined productive capacity by 12% if permitted to amalgamate. This would be an excellent opportunity for use of the vast Sheet & Tube assets to solidify the emerging company's position in the industry.

When Book Value Counts

Investors often are attracted to companies that have book value far beyond their selling price. However, it does not follow that stocks in this category necessarily are underpriced. As we have sought to demonstrate in the foregoing, book value provides little more than a subject for academic discussion where a company permits vital assets to lay dormant in the face of vast opportunity. Indeed, many companies have seen their leadership in a field lost to a rival whose assets were substantially smaller. Assets, however sizable, are rarely reflected in the market place when dominated by management whose philosophy is retrogressive. This is not to argue that corporate nest eggs must be used to the hilt in all seasons. Indeed, many companies weathered the storms of the 1930's only because they had nursed their resources.

In World War II and the decade that followed, however, this country witnessed vast upheavals on the business front. An earlier generation would be bewildered by the changes that have taken place—new products, rounding out the line of products, diversification, merger—and out of the maelstrom have come numerous corporate combines which owe their present-day eminence to far-sighted management. Fortunate, indeed, was the investor who had a share in an enterprise whose top management had the courage and the vision to use dormant assets to strengthen a company's position.

In the following we propose to deal with companies whose book value is high and to show what use is being made of their great assets toward generating increased earnings.

UNDERWOOD CORP., a maker of typewriters, accounting machines and numerous other business-equipment products, did not keep pace in the past few years with the dynamic competition provided in this rapidly changing industry by such companies as International Business Machines and Remington Rand. Old-line top management failed to grasp the significance of new products, new systems and new styles. From a high above 80 in 1946, Underwood shares hit the toboggan, sinking to 26 in 1953. There were some sharp dips in sales and earnings, dividends were cut. Into this setup came Carl P. Ray. Taken from the sales force and made a vice president, young Ray got the company to invest in such new products as punch-card systems and electronic computers. Machine styling was vastly improved. Now Underwood is on the way up again, although at its present market price it is only about two-thirds of the book value of $53.13. Owing to the vigor of the competition in this field, however, it will take some time to overcome the handicap incurred by failure to recognize changing conditions in this business. Dividends of 25 cents at quarterly intervals have been declared this year compared with annual totals of $4 as recently as 1952—a measure of the decline in the fortunes of Underwood. But armed with a full complement of equipment, Underwood should be able henceforth to do battle on more even terms with the other two members of the big three in this industry.

ACF INDUSTRIES, INC., selling for little more than half of book value of $109.44, is an outstanding example of the uses to which large assets may be put. Known since the turn of the century as American Car and Foundry, the company was, for a half century, one of the top manufacturers of railway rolling stock and allied equipment. Although its name has been changed to ACF Industries, to reflect diversity of product, the company continues to occupy an important position in the rail-equipment field. Large investments in plants, new facilities and research have broadened the earnings base. ACF now serves the aircraft, electronic and oilfield industries, to cite but a few. The company also is a factor in the atomic energy field. Nor has ACF neglected its old-line railroad business. The company has used its considerable resources to develop the highly-publicized Talgo train, passenger equipment of low-slung lightweight design. Trains of the Talgo type may make possible the type of railroad economies achieved by dieselization. Indications are that ACF will continue to pursue a program of diversification, with emphasis on the new glamour industries, whatever the rail-equipment field may hold.

ANACONDA CO., formerly Anaconda Copper Mining Co., has been using its sizable resources over the past decade to improve its competitive position as a miner and fabricator of metals. The company is just beginning to reap the large benefits of this forward-looking program. For the first quarter of this year, operating income at $36,616,000 was 2.83 times that of the initial three months of 1954 and net income this year of $14,203,000 was 3.5 times that of the first quarter a year ago. It is true that a higher level of operations and a better price for copper prevailed this year, but that is only part of the story. An important factor in this upturn in the fortunes of Anaconda was the $338 million in capital spent since the beginning of 1946 on new equipment, mine expansion, and modernization and expansion at the company's copper and brass product fabricating subsidiaries, along with full quarter operation of one section of its uranium processing plant. Anaconda shares this year have sold as low as 60% of "book," but continuance of the type of performance achieved thus far this year might very well take it off the bargain counter within a reasonable period.

AMERICAN VISCOSE CORP. this year has been narrowing the disparity that long prevailed between market and book value. The answer is not hard to find. This company has used its strong assets position to develop new earning power. As a result, the steady slide in earnings and sales seems to have been halted by this giant textile firm. In the first quarter of 1955, earnings rose threefold to $5,930,000 and sales at $66,418,000 gained by 30%. In partnership with Monsanto Chemical Co., American Viscose organized Chemstrand Corp., producer of Acrilan and nylon. Its 50% ownership of Chemstrand is proving an important source of earnings to American Viscose. A notable development for this company has been the exploitation of such new fields as rayon staple for tufted rugs. The market scarcely existed a few years ago, but has grown so rapidly that the company is hard put to fill orders. Another joint venture gave the company an interest in Ketchikan Pulp Co. During 1954, the investment in and advances to Chemstrand increased by $5.2 million to $28 million and in Ketchikan by $4.9 million to $13.2 million. No further large investment in these two

companies is contemplated. These investments and the expenditures for plant and equipment in 1954 exceeded funds available from operations after payment of dividends, thus resulting in the decline of $1.8 million in working capital. But if the showing of the first three months of this year is a criterion of what can be achieved by using assets to build earnings, stockholders will have no cause for complaint.

GREAT NORTHERN RAILWAY CO. serves the upper tier of states west of Duluth and the Twin Cities, a vast growing area that generates such diverse traffic as oil, iron ore, farm products and lumber. Despite a drop in gross revenue and net income during 1954, the road proceeded with an impressive program of capital improvements. These included centralized traffic control installations, trailer-on-flat-car service, complete dieselization west of Minot, N. D., erection of a new freight car shop building, construction of a new modern car-retarder freight classification yard at Minot, construction of 1,000 boxcars and the purchase of dome coaches and full-length dome lounge cars on the run between Chicago and Seattle-Portland. Thus, the Great Northern has continued to maintain a modern railroad plant despite declining revenues and net last year. A measure of its strong finances may be gleaned from the fact that it also raised the dividend at the same time. Such optimism doubtless stems from the expectation that 1955 will prove an excellent year. Greater demand for steel should substantially increase movement of iron ore on its lines and booming home construction should stimulate lumber traffic. At current market levels, Great Northern is appraised at less than one-half of book value.

J. P. STEVENS & CO., INC., a leading textile manufacturer, this year announced it had acquired more than 95% of the common stock of Cheney Brothers and was adding to its plants in South Carolina. Curiously, this company has been saying that the industry in the past three years suffered from over-expansion, over-capacity and over-production. The Korean war, with a consequent consumer buying spree and heavy Government procurement, delayed the adjustment until 1952. A year ago the industry hit the low point, followed by a rash of mergers among textile firms. Despite the feast-or-famine history of this industry, Stevens is mildly optimistic about the future. It has backed up its faith with large sums of money—$100 million in buildings and machinery since 1947. The company is counting on population growth, new fabrics developed through research, a sharply reduced investment by the industry in new productive facilities and the liquidation of many textile companies to achieve a readjustment for the business. J. P. Stevens is one of the better situated textile firms and, while earnings have continued to lag, show signs of improvement directly ahead. The stock is selling at roughly half of the book value of $47.49.

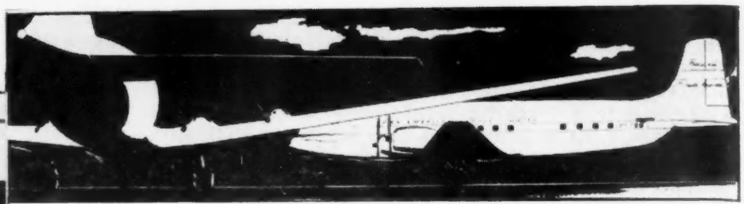
SOUTHERN PACIFIC CO., whose vast railroad network serves the growing Southwest and West, has considerable assets it doubtless will use in the years ahead to exploit the opportunities unfolding in those regions. In 1954, capital expenditures of its lines and affiliates totaled more than $63 million. Principal expenditures were for diesels, freight cars, streamlined passenger cars, a system of centralized traffic control and the like. This year, Southern Pacific decided to go into the business of transporting refined petroleum products via pipeline. Plans call for building pipelines from Los Angeles refinery area to Phoenix and Tucson, and from the El Paso refineries to Tucson and Phoenix. Total investment in line, stations and terminal facilities is expected to reach $30 million. At current market price, Southern Pacific shares sell for slightly less than half of the stated book value of $129.14.

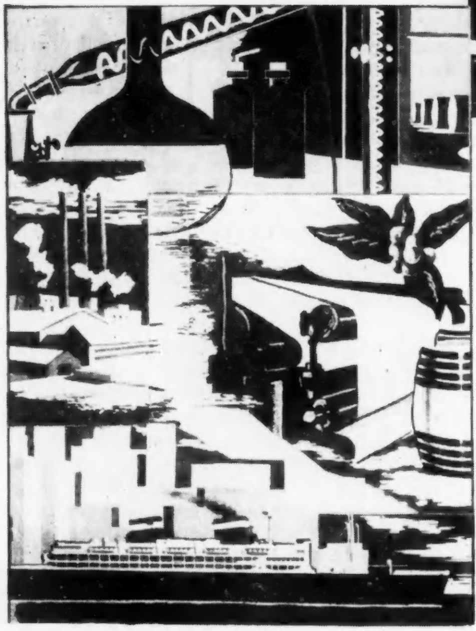
JOY MANUFACTURING CO. shares this year have moved up to a point where they are selling around book value of $48.13. This maker of machinery for the mining industry has taken advantage of its strong assets position during the post-war period to acquire companies that would enable Joy to expand its manufacturing facilities and diversify its products line. The (*Please turn to page* 377)

Companies With High Book Value

	1953 Earnings Per Share	1953 Div. Per Share	1954 Earnings Per Share	1954 Div. Per Share	1st Quar. Earnings Per Share 1954	1st Quar. Earnings Per Share 1955	1955 Indicated Div.	Indicated Div. Yield	Recent Price	Latest Book Value Per Share	Price Range 1954-1955
A. C. F. Industries	$ 9.18	$5.00[2]	$7.93	$4.75	$1.60[1]	$1.84[1]	$4.75	7.4%	64	$109.44	65⅜-32
American Viscose	2.74	2.00	2.31	2.00	.34	1.39	2.00	4.2	47	52.86	49⅜-30⅝
Anaconda Co.*	3.52	3.00	3.07	3.00	.47	1.64	3.00	4.9	61	77.73	65⅜-29½
Great Northern Rwy.	4.92	2.00	4.21	2.10	.09	.66	2.20	5.5	40	96.64	42⅝-22⅞
Jones & Laughlin Steel	4.77	1.95	3.80	2.00	.88	1.50	2.00	5.4	37	58.60	40 -19¾
Joy Manufacturing	5.89	3.12½	4.08	2.50	1.04	1.36	2.50	5.2	48	48.13	50½-31¾
Norfolk & Western	4.83	3.50	4.52	3.50	.54	1.07	3.50	6.2	56	89.01	58⅝-39⅝
Pennsylvania R.R.	2.81	1.50	1.41	.75	d .45	.54	1.00	3.7	27	107.51	29⅝-15⅞
Sharon Steel	6.10	4.00	2.85	2.50	.06	2.03	2.50	5.9	43	57.15	46⅜-27⅛
Southern Pacific Co.	6.85	3.00	5.38	3.00	1.07	1.58	3.00	4.9	61	129.14	62¾-36⅝
Southern Railway	11.63	2.10	8.96	3.50	1.89	2.79	4.00	4.2	95	153.35	95⅞-39¼
Stevens (J. P.) & Co.	2.35	2.00	.90	1.50	.51[1]	.46[1]	1.00	3.9	26	47.49	30¼-22¼
Underwood Corp.	1.13	2.25	1.66	1.25	.20	.58	1.00	2.8	35	53.13	38⅜-27
Youngstown Sheet & Tube	9.21	3.00	6.02	3.75	.89	2.37	3.75	5.0	75	97.01	84½-38

*—Name changed from Anaconda Copper Mining Co.
d—Deficit.
1—Quarter ended January 31.
2—Plus stock.





W. R. GRACE & CO.

Expansion Spearheads 2nd Century of Growth

By W. A. HODGES

Last year, W. R. Grace & Co. ended its first and began the second century of its business life. While such an event might be of only passing interest so far as some other company is concerned, it has particularly great significance for Grace shareowners by reason of the fact that their company, moving steadily along the road of expansion both in Latin America and North America, began the second century of activity achieving continued growth in established lines and firmly establishing itself in the steadily expanding American chemical industry.

How rapidly Grace is progressing along these various lines is attested by 1954 sales and operating revenues of the company and its subsidiaries which reached a peak level at $413,401,905. This was approximately $82.5 million above the previous year's figure. Earnings before all taxes and $11.5 million for depreciation—more than twice the amount four years earlier and $4 million greater than in 1953, amounted to $37.6 million, also a record high while net earnings at a five-year high of $13.8 million were equal to $3.50 a share for the common stock.

Diversity of Activity

Briefly, these facts are but a few of the many that highlight the record of W. R. Grace & Co., which for diversity of activity that spreads over almost the entire Western Hemisphere, has few equals. For this very reason, in order for anyone not thoroughly familiar with the company's history to get a good grasp on its achievements up to this time and develop some idea of the dynamic course Grace is following, it is necessary to go back to the early 1850's. It was then that William Russell Grace founded the business in the port of Callao, Peru, primarily as a ship chandlery supplying the Peruvian guano fleet. Guano, together with Chilean nitrate of soda, was for many years the most important supply of nitrogen fertilizer for both Europe and the United States.

From this beginning, the Grace history can be traced without boring details. Perhaps it was only natural that the founder's ship supply activity should soon expand into an import and export business, with the next step being the chartering and then the owning of ships. It is evident that William R. Grace, endowed with rare courage and vision and a pioneering spirit, foresaw the opportunities that were to develop in world-wide trading and shipping enterprises. These, for years, including the first two decades of the 20th Century, were the most important phase of the company's operations. From a beginning when its ocean shipping consisted of sailing vessels that rounded "the Horn" to reach the west coasts of South and North America has emerged the Grace Line and its 25 vessels that today comprise the modern "Santa" fleet, and the 50% owned Gulf & South American Steamship Co. In 1954, the "Santa" ships carried more than 2.5 million tons of cargo and almost 20,000 passengers, total revenues amounting to over $65.5 million.

Carrying on in the same spirit its founder showed, Grace & Co., jointly with Pan American Airways, pioneered the first scheduled commercial air transport service, the principal route at this time being between Balboa in the Canal Zone and Buenos Aires, Argentina. The service, started 27 years ago, serves intermediate points in Colombia, Ecuador, Peru, Bolivia and Chile, as well as a daily scheduled first-class flight and three time weekly tourist-class flights between Miami, Fla., and Buenos Aires. This service operated by Pan American-Grace Airways, Inc., generally referred to as "Panagra", flew 150.6 million revenue passenger miles last year, for a new record, exceeding 1953, the previous best year by 10 per cent and scoring a gain of approximately 46.5 million revenue passenger miles over the last five years. Total revenues for 1954 were also at an all-time high, reaching $18.7 million with net operating profits after taxes of $1,132,000, the second

highest in any year of the airline's history.

Emphasis on Industrial Development

Panagra's formation in 1929, coincides with the Grace emphasis on industrial development which actually got under way right after World War I and which was accelerated during the 1920's and carried on ever since both in the Latin American countries and in the United States, expansion in the latter territory being particularly rapid in the last five years, especially in advancing the company's position in the chemical industry.

This is a field in which Grace has had long experience. As a matter of fact, almost from the beginning the company has been one of the leading Chilean nitrate of soda producers. This production, together with the Peruvian guano business, led Grace into the fertilizer business in the United States in which it has been active for over 60 years.

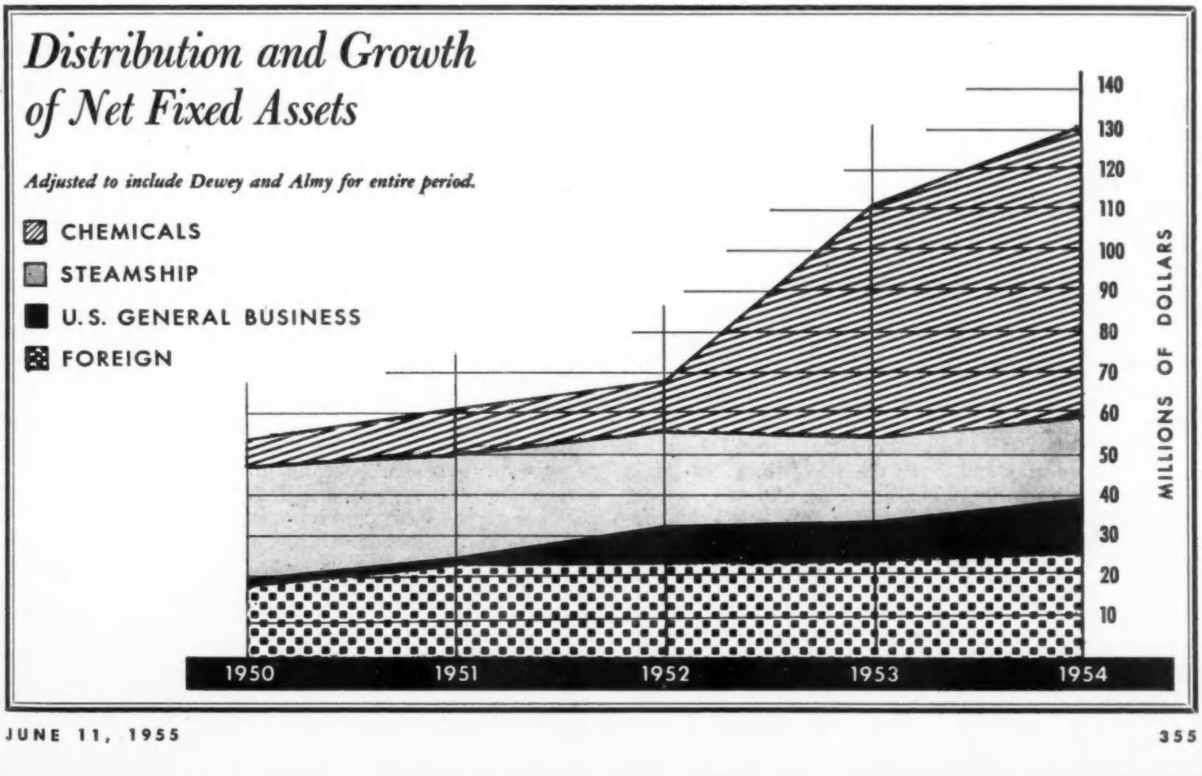
As company president, J. Peter Grace, grandson of the founder, recently stated, Casa Grace, as it is known throughout Latin America, in developing its sugar business in Peru, utilized its experience in chemistry to improve refining processes. It also pioneered in the chemical process industry with the development of paper from bagasse on a commercial scale. This latter achievement is extremely noteworthy inasmuch as it marked the first successful use of bagasse, the fibrous residue from milled sugar cane in the manufacture of paper, largely for wrapping purposes, or for corrugated containers, boxes, multiwall sacks, and small light-weight bags from what was once regarded as waste material. Operations at the completely integrated paper mill set new production records last year at 19,255 metric tons, compared with 10,100 metric tons in 1950. Recent research has resulted in new achievements which are expected to improve mill performance in addition to which new machinery to be installed will increase plant capacity by one-third. The current year saw a new folding carton factory at Lima go into production.

The source of bagasse is Grace's own sugar estates, each with 10,000 acres of cane fields, one of which, known as the Paramonga Sugar Estate forms the center of one of the best examples of complete integration of operations to be found anywhere, being self-sufficient in its supply of sugar cane, a mill of 400,000 tons annual grinding capacity which is a source of bagasse for the paper mill and molasses for a distillery. There is also a caustic soda and chlorine plant serving the needs of the paper mill which in turn supplies the multiwall bag and bag and box plants part of whose output is used for bagging raw and refined sugar and boxing distillery shipments which move over Grace trucking lines and that part destined for export being carried in Grace Line ships.

Producing Varied Basic Products

Integration is extended even in Peru, where the Grace candy, biscuit and chocolate factory uses Paramonga sugar and packages its finished products in boxes and bags produced from Paramonga paper, principally Kraft and sulphite wrapping papers, manufactured at the Lima bag and box plant.

The Grace interests extend into other Latin American countries, including Bolivia, where in partnership with local capital it operates tin and tungsten mines; produces cement, tiles, nails and flour; and in Chile, where under similar arrangement, it manufactures textiles, edible oils and margarines, paint, refined sugar, and electric light bulbs. It has a chocolate, candy and biscuit factory in Colombia; operates five coffee-cleaning plants; owns a majority interest in a very modern textile mill, in addition to interests in paint and rayon manufacturing. It owns and operates half a dozen coffee



Distribution and Growth of Net Fixed Assets

Adjusted to include Dewey and Almy for entire period.

Comparative Statement of Consolidated Income	December 31 1953	1954
	(000 omitted)	
TOTAL SALES AND OPERATING REVENUE	$330.980	$413.401
Cost of goods sold and oper. expenses (less subsidy)	276.176	342.793
General and administrative expenses	21.155	26.121
Depreciation	7.515	11.527
Research and development expenses	1.933	2.766
	$306.779	$383.207
OPERATING PROFIT	$ 24.201	$ 30.194
Other income:		
Dividend and interest income	$ 2.997	$ 2.760
Profit on sale of properties and securities	.672	.454
Miscellaneous	.282	.172
	$ 3.951	$ 3.386
TOTAL INCOME	$ 28.152	$ 33.580
Interest expense	$ 2.368	$ 4.580
Adjustment of reserves against investments	(CR) .059	(CR) .013
	2.309	4.567
BALANCE BEFORE TAXES	$ 25.843	$ 29.013
Estimated U. S. and foreign taxes on income	$ 10.483	$ 11.311
Minority interest	1.441	2.120
Provision for foreign exchange	1.333	.788
	$ 13.257	$ 14.219
NET INCOME	$ 12.586	$ 14.794
Earnings per share of common stock	$ 3.27	$ 3.50
Dividends per common share	$ 1.75	$ 1.75

plantations located in Guatemala, and through its wholly-owned subsidiary, International Machinery Co., represents important U. S. and foreign machinery and equipment manufacturers principally in Peru, Chile and Bolivia.

Mention has already been made of the company's textile interests. These include four cotton mills in Peru, one in Colombia and one woolen and two cotton mills in Chile. Most of these mills, some of which also are producers of rayon textiles or cotton and rayon blended cloth, are completely integrated — from spinning, through weaving, to roller and screen printing. Last year, cotton, rayon and wool textiles production of these mills reached a record 97.6 million yards, a 21.8 million yard increase over 1950 and about double output of ten years earlier. This rate of increase is more than twice that of textile production in the U. S. Such growth reflects the expanding economy and higher living standards in Latin America, gains that are also reflected in rising output of other Grace products there. Paper production at the Grace mills, for instance, has increased 8½ times, compared to only 1.8 times for the U. S., and paint production has increased 11½ times as compared with a 64% rise in this country.

Perhaps a more understandable index to Grace & Co.'s growth in the many fields in which it is engaged in South America is the steady rise in sales and operating revenues in foreign operations, exclusive of steamship operations and U. S. import and export business. In that period, the total has increased in each year, from $65.6 million for 1950 to $106.3 million for 1954. Since the end of the war, Grace has increased its investments there by between $25 and $30 million, and is now working on plans involving other industrial projects which will add another $15 to $20 million to its investments in that area within the next few years.

One of the new investments Grace has made there involves, jointly with Farbwerke Hoechst A. G., a German chemical company on a 50-50 basis, the construction of a chemical plant in Sao Paulo, Brazil, to manufacture caustic soda, DDT, chlorine, solvents and fatty derivatives. This is another step through which Grace will broaden its participation in the expanding chemical industry in Latin America.

Growth in U. S. Chemical Industry

Such a move is also consistent with the company's plans in extending its operations in the chemical industry in North America. In carrying out these plans, Grace, within the last few years, has invested $130 million in the U. S., chemical industry, creating the Grace Chemical Co., and acquiring the Thurston Chemical Co., and the Naco Fertilizer Co., the operations of which were consolidated with those of the Davison Chemical Corp., acquired by merger in 1954.

Since 1832, Davison has been prominently identified with production of industrial and agricultural chemicals. Net sales in 1954 showed an overall gain of 7% over the previous year, a gain which was achieved through a 9% increase in industrial chemicals, 18% in superphosphates and phosphate rock, and 4% in mixed fertilizers. Growth in industrial chemical volume was attributed largely to expanded production facilities to meet the increasing demand for fluid synthetic cracking catalysts by the petroleum industry for use in producing high octane gasolines and other petroleum products.

Another industrial chemical in which Davison is a leader is silica gel which has multiple uses in various industries as a dehydrating agent, in recovery or separation of antibiotics as well as in insecticides, drug products, plastics, and to protect packaged materials from moisture. An idea of Davison Chemical Division's scope of operations is had from the fact that its aggregate annual plant capacities are approximately 840,000 tons of mixed fertilizers, 980,000 tons of superphosphates and 235,000 tons of triple superphosphates. The latter includes 200,000 tons annual capacity of a new $10.7 million plant completed in 1954, reaching capacity operations as that year drew to a close. These outputs are in addition to approximately 181 million pounds of catalysts, 25 million pounds of silica gel and 595,000 tons of sulphuric acid yearly.

Having created Grace Chemical and merged Davison as a division, Grace, last year, also acquired the 35-year old Dewey and Almy Chemical Co., a move which underscored the growing diversification of Grace operations in the chemical field. This latest member of the Grace chemical group, internationally known as a supplier of chemical specialties to industry, operates 14 plants in the U. S., Canada, Europe, South America and Australia. Its business is world-wide, its products being exported to 50 foreign countries where it has representatives or distributors.

From the beginning, Dewey and Almy, emphasizing the importance of research, has pioneered new fields and developed new products for industry, especially those serving basic human needs. Its "Cryovac" process for food packers is a method of preserving frozen and refrigerated foods in transparent, shrinkable plastic packages. "Cryovac" plastic bags have become the standard protective container for frozen poultry and smoked meats, and their applications are extending rapidly into other frozen and refrigerated foodstuffs. Since introduction of this process six years ago, sales have increased in such volume as to make it necessary to enlarge productive capacity of two plants, and add a third which will be (*Please turn to page* 378)

FINANCE COMPANIES AT NEW PEAK

By J. C. CLIFFORD

Total intermediate- and short-term consumer credit outstanding at the beginning of the 1955 second quarter, according to the Federal Reserve Board, amounted to approximately $29 billion 948 million. Of this sum, non-installment credit made up of single-payment loans, charge accounts, and service credit approximated $6 billion 974 million, or about 23 per cent. The remaining 77 per cent, $22 billion 974 million, was made up of instalment credit. Almost half of the latter sum consisted of $11 billion 53 million of automobile paper with the other half consisting of $5 billion 479 million of other consumer goods paper, $1 billion 530 million repair and modernization loans, and $4 billion 912 million of personal loans.

Although the sum of intermediate- and short-term consumer credit outstanding on March 31, last, was $177 million under the December 31, 1954, total, it was up by approximately $2 billion 115 million from March of last year. Most of the increase was in automobile paper the value of which rose sharply by an estimated $1 billion 569 million in March, 1955, reflecting the unusually heavy volume of automobile sales in that month. Personal loans also rose by $79 million in March, 1955, bringing the total increase in this type of consumer credit to $125 million since the end of 1954, and slightly more than a half billion dollars over the $4,405,000,000 outstanding at the end of March, last year. On the same basis of comparison "other consumer goods paper" covering principally purchases of furniture, refrigerators, deep freezers, and other household appliances increased by approximately $36 million from $5,443,000,000 a year ago.

Business Showing Consistent Growth

It is evident from the foregoing figures that automobile purchases financed by commercial banks and sales-finance companies constitute the major portion of the total volume of consumer instalment credit. An outstanding development, however, has been the exceedingly rapid growth in the postwar years in other consumer goods financing. According to the U. S. Department of Commerce, total "other consumer goods" credit at the close of 1947 amounted to $677 million. By the end of 1951, according to the same source, this type of consumer credit had increased to $3 billion 507 million, and as of last March 31, had risen to almost $5.5 billion.

On first thought this appears to be a phenomenal expansion. On analysis, it appears to be a natural development to which a number of factors have contributed. One of these has been the growth in population from approximately 144 million in 1947 to 164 million as of now, a gain of roughly 20 million. Over the same period, on an average of one million new homes have been constructed in each year since 1946, all of which required household furnishings and appliances, the market for the latter being augmented by the introduction of new products such as TV receiving sets, deep freezers and clothes dryers. Giving impetus to consumer demand for all these items has been the sustained high rate of employment and the unprecedented high level of disposable personal income that amounted to $253.5 billion in 1954, increasing, as of now, to $260.6 million. This latter figure compares with 1947 disposable personal income of $169 billion and is 3.7 times that of 1939 amounting to $70.4 billion.

The growth in the volume of consumer instalment credit for financing purchase of automobiles and durable household goods emphasizes the prominent position the instalment credit companies have achieved in the American economic system. One explanation for this growing status is found in the increasing use of their facilities by the buying public. Of course, use of instalment credit in the purchase of automobiles has been accepted practice for a number of years. This business has expanded rapidly with the growth in automobile ownership and accelerated by the fact that the proportion of consumers owning two or more cars has more than doubled since early 1949.

Along with this expansion has been the increasing number of purchasers, especially in the last five years in which the proportion of consumers using instal-

ment credit for the purchase of durable household goods has held fairly constant at a little more than 50 per cent of the total of purchasers of these products.

Although efforts by banks in various sections of the country to attract business from buyers of automobiles on the instalment plan has increased in recent years, the finance companies have added strength to their position in the automotive industry by closer and more effective relationships with automobile wholesalers and dealers. Another important division for some of them is factoring, rendering credit and financial services to manufacturers and distributors of textiles and various other products. In fact, activities of the leading organizations in the consumer instalment credit field are diversified to a considerable degree. Included in the operations are making loans on inventories, financing corporation purchases of new machinery and equipment, and through affiliates, providing fire and casualty insurance coverage on automobiles, life and health insurance, and in some instances, credit insurance, the latter providing protection for manufacturers and others against excessive losses on their accounts receivables.

Small Loan Companies

Paralleling the growth of the consumer instalment credit business has been the relatively consistent expansion in the volume of business of the personal, or small loan companies. These are the companies operating in various states under "small loan" laws and making loans ranging from $25 to $500, although in some areas maximum loans up to $1,000 are permitted by law. A factor contributing substantially to the growth of the small loan companies has been the increasingly wide acceptance of the services they offer the public to meet emergencies or to clear up debts already incurred. Other important reasons for borrowing are medical and dental expenses and other family needs.

The average loan made is approximately $300 and the borrower usually has a choice of monthly repayment schedules with final maturity up to two years, subject to the maximums fixed by state laws or regulations. Some of the companies operating in the small loan field also engage in financing the purchase of services or consumer goods, such as furniture and household appliances. Credit standards for customers seeking instalment credit of this kind are the same as for small loan applicants. These standards prescribe that loans must be for constructive purposes, preferably to family units, and adjusted in size to the borrower's circumstances so that the loans may be repaid without putting undue strain on the borrower's ability to meet monthly payments.

Both consumer instalment credit and small loan companies maintain flexible financial structures through the use of borrowed capital obtained from banks, insurance companies and other institutional lenders. The liquidity of a company's assets warrants the use of such capital in the form of short-term debt, the duration of which is calculated on the approximate length of time to repay the company borrowings out of customers' instalment payments. When, as in the past, cash repayments by customers have exceeded the demand for new loans, bank loans are liquidated. Naturally, the cost of borrowed capital and the volume of loans made to customers are a combined factor having an important bearing on the small loan company's profit margin.

The comparatively steady growth of companies in these two fields of consumer credit has attracted increasing investor interest in these issues as their investment status has grown, reflecting expanding earning power and the establishing, in many instances, unbroken dividend records extending over a long period of years. The outlook for representative companies in the consumer credit field appears to promise continued growth in an economy that affords a greater number of families to buy automobiles, household appliances and other durables from income on a "pay as you use" basis. Among the leading companies in the consumer credit field are:

C I. T. FINANCIAL CORPORATION is the largest of the instalment finance companies. Last year, total receivables pur- (*Please turn to page* 372)

Statistical Data on 11 Leading Finance Companies

	1953 Earnings Per Share	1953 Div. Per Share	1954 Earnings Per Share	1954 Div. Per Share	1955 1st Quar. Earnings Per Share	1955 Indicated Full-Year Div.	Capital Stock Changes In Recent Years	Price Range 1954-1955	Recent Price	Indicated Div. Yield
American Investment Co. of Ill.	$2.29	$1.60	$2.36	$1.60	$ .65	$1.60	25% Stock Div. Nov. 1950.	33¾-23⅛	29	5.5%
Associates Investment Co.........	4.19	1.60	4.85	1.80	1.31	2.00	200% Stock Div. April 1953.	62 -31⅛	62	3.2
Beneficial Finance Co*.............	1.45	.96	1.55	.96	.41	1.00	2½ for 1 Stock Split Jan. 1955; 5% Stock Div. Jan. 1952.	23¼-15⅜	21	4.7
C.I.T. Financial Corp...............	3.62	1.80	3.85	2.25	.99	2.25	2½ for 1 Stock Split Jan. 1953.	50⅜-28⅝	49	4.5
Commercial Credit Co............	5.21	2.40	4.86	2.60	1.24	2.60	100% Stock Div. July 1952.	53½-34⅝	53	4.9
Family Finance Corp................	1.90	1.40	2.01	1.40	1.69[1]	1.40	100% Stock Div. Dec. 1947.	25⅝-17¼	24	5.9
General Contract Corp............	1.19	.80	1.66	.90	.43	.90	2 for 1 Split, plus 2% Stock 1950; 6% Stk. 1951;—1/25 sh. Pfd. in 1952.	21¾-12¼	18	5.0
General Finance Corp..............	1.44	.60	1.62	.65	.50[2]	.70	10% Stock Div., Dec. 1949.	17⅜- 9¾	16	4.3
Household Finance Corp..........	2.14	.98	2.30	1.08	.55	1.20	2 for 1 Stock Split Oct. 1954; 10% Stk. Div. Mar. 1953 & Nov. 1954.	33 -22	28	4.2
Pacific Finance Corp. (Calif.)....	3.67	2.00	3.40	2.00	1.09	2.00	In 1947 & 1952, 335,000 shares of common stock was sold.	44 -28¾	41	4.9
Seaboard Finance Co..............	2.14	1.80	2.12	1.80	.59[3]	1.80	———	33⅝-24	31	5.9

*—Name changed from Beneficial Loan Corp.

1—9 mos. ended Mar. 31, 1955.

2—Estimated.

3—First fiscal quarter ended 12/31/54.

THE EDITORS'

INVESTMENT CLINIC

Case No. 7

THE INVESTOR PLANNING RETIREMENT

Some of the more interesting communications which we receive are from subscribers in their later years, especially from those whose financial experience is limited and who, therefore, find themselves unprepared for the handling of their savings. Many of these people are aware of their lack of expertness in the investment field and realize the importance of securing counsel on how to get their affairs in some reasonable order to provide as well as possible for their final years. One of our subscribers who is in some doubt as to how to proceed writes as follows:

"I have been fairly successful in my profession as a dentist but, as I am nearing the age of 65, am considering retiring in the near future. For some years I have been a subscriber to your valuable magazine and have consistently received sound guidance through your columns. However, I fear that I have not really applied this knowledge to the best possible advantage, except in the occasional investment of funds. This has worked out well in particular securities but I believe I must do better if I am to obtain the best results from my capital, or enough to permit me to secure an income sufficient to enable me to retire. I have now over $240,000, about half of it well invested in good common stocks, with a profit of $40,000, thanks to your advice but the rest is in savings banks and Government bonds, drawing a small income. As long as I continue to work, I can get along with a comparatively small return on these investments but realize now that I am retiring, that I have not invested my total savings in such a way as to provide the full income required. Since my wife and myself are in good health and our children are providing for themselves, we have only our normal expenses to provide for but we want to travel a bit and we should like to be able to cover our usual expenses and enough to permit for an occasional trip. We figure we will need about $9,000 a year, after taxes. As we own our home, fully paid for, we have no rent and only some small property taxes. I would deeply appreciate advice from you. Am enclosing a list of my investments."

This subscriber then submits in Table "A" the portfolio representing the total value of his investments:

Table "A" Where Invested	Cost	Annual Dividends
Savings Bonds	$ 40,000	$1,100
Government Bonds	60,000	1,500
Total	$100,000	$2,600
100 shares Atlantic Coast Line	$ 5,000	$ 200
100 shares A T & T	17,000	900
100 shares Consumers Power	4,000	220
100 shares General Motors, 3¾ pfd.	10,000	375
200 shares Merck	4,400	160
200 shares Natl. Biscuit	7,600	400
200 shares Ohio Edison	7,600	440
200 shares Reynolds Tobacco B	7,800	480
200 shares Safeway Stores	8,000	480
200 shares Southern Ry.	10,000	600
200 shares Texas Co.	12,000	600
300 shares U. S. Steel	13,000	900
Total	$160,400*	$5,755
Grand Total	$206,400	$8,355

*Approximate value now $140,000.

Analysis of this investor's holdings and the return he received shows that he obtains a good return of $5,755 a year on the $106,000 invested in common stocks now worth about $140,000 or about 5.4% on the cost. However, the return on the $100,000 invested in Government bonds and deposited in savings bank accounts is inadequate, returning only $2,600 a year or 2.6%. What is needed is to raise the $2,600 income from bonds and savings banks to as close to 5% as possible. Under present conditions in the market for good sound common stocks, probably an average of 4½-4¾% is attainable. Assuming a return of 4¾%, the investor could obtain an annual income of about $4,750 a year instead of $2,600 from that portion of his portfolio now tied up in savings banks and Government bonds. Adding this to the $5,755 a year income from common stocks would provide a total income, before taxes, of about $10,500 a year. Assuming (*Continued on page* 379)

Table "B" Where Invested	Cost	Annual Dividends
100 shares Allis-Chalmers Mfg.	$ 8,000	$ 400
200 shares American Cyanamid	10,400	400
100 shares Armco Steel	7,800	360
300 shares Duquesne Light	10,500	540
300 shares Great Northern Ry.	12,300	660
200 shares Pacific Gas & Elec.	9,500	440
200 shares Safeway Stores	9,000	480
200 shares Socony-Vacuum Oil	10,900	450
200 shares Southern Pacific	12,300	600
300 shares National Dairy	12,000	480
Total	$102,700	$4,800

FOR PROFIT AND INCOME

Pro And Con

Aircraft stocks have shown some tendency to stabilize at levels moderately above recent reaction lows. The latter represented a mark-down from the all-time highs, reached earlier this year, averaging around 25% for the group. The sell-off was in large measure a technical correction of exceptionally large prior rise. It was facilitated by talk of Congressional investigation of aircraft profits, and about possible tougher Federal renegotiation of contracts. The more recent "peace scare", centering in the coming Four-Power conference aimed at easing world tension, probably has also played some part. Because of their speculative nature, aircrafts lack significant institutional support. Selling by hung-up holders could put a brake on rallies. On the other hand, talk of disarmament is silly; volume and earnings of leading companies will hold at good levels for an extended time to come; profits are demonstrably reasonable per dollar of sales, suggesting no important reduction by renegotiation; and the stocks are moderately priced in relation to earnings and dividends. Although recovery may take some time, bearishness seems to have been over-done.

Off-Shore Oil

Estimates of oil reserves under shallow Gulf-of-Mexico waters run into billions of barrels. Cost of drilling is far higher than on land, and the Government gets royalty of nearly 17% of oil or gas produced. However, the rewards are high in terms of drilling "hits" versus misses, and in terms of oil flow per well. Hence, the boom in off-shore leases continues. Recently leases have commanded prices above $800 an acre, against $20 an acre or less not many years ago. Since the question of ownership was settled by Congress in 1953, it is estimated that the Government has taken in some $140 million for leases, and the states of Louisiana and Texas a combined total of around $75 million. The long-run potentials for the oil companies may be very big. Some which are large holders of leased acreage are Humble Oil (subsidiary of Standard of New Jersey), Texas Company, Pure Oil, Phillips Petroleum, Shell Oil, Gulf Oil, Standard Oil of California, Socony Mobil (in combination with Continental Oil and Newmont Mining) and a combine of Cities Service, Atlantic Refining, Continental and Tide Water Associated.

Income

If you are content with a satisfactory yield, it can still be had from a fair number of conservative income stocks—on which you will be unlikely to make, or lose, much money. For one example, take Melville Shoe, which chain-store-retails shoes of its own manufacture. It has a habit of making some money even in depression periods. It has paid generous dividends each year since 1916. Its finances are strong and liquid, permitting a relatively high pay-out of earnings. Earnings were $2.11 a share last year and may be about 10% higher this year. The $1.80 dividend can be regarded as secure. The stock at this writing is at 33¾, in a 1955 range of 34½-31, yielding over 5.3% return.

Another

Best Foods produces Hellmann's mayonnaise, Nucoa margarine, H-O oats and farina, Skippy peanut butter, and other branded food and household products. Op-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Bigelow-Sanford Carpet	Quar. Apr. 2	$ .43	$ .02
Kennecott Copper	Quar. Mar. 31	2.68	1.70
Amer. Smelt. & Refining	Quar. Mar. 31	1.37	.58
Simonds Saw & Steel	Quar. Mar. 31	1.93	.75
Du Pont	Quar. Mar. 31	2.00	1.56
Electric Auto-Lite	Quar. Mar. 31	2.05	.25
Air Reduction	Quar. Mar. 31	.68	.48
Bethlehem Steel Corp.	Quar. Mar. 31	3.51	2.73
Evans Products Co.	Quar. Mar. 31	3.68	.48
Diamond Match Co.	Quar. Mar. 31	1.10	.75

erations have been profitable even in depression years, though earnings are far from immune to fluctuation. The principal investment features are maintenance of strong and liquid finances, and the payment of continuous, liberal dividends since 1927. On a $2 regular rate, payments in 1954 totalled $3 out of earnings of $3.29 a share for the fiscal year ended last June 30, up from $2.80 in the prior year, in which payments totalled $2.50. At least a modest gain in current-year profit seems likely, as does also dividends at a $3 total. The stock is currently at 50, in a 1955 range to date of 50¾-43, yielding an even 6%.

Others

Some other stocks, ranging from fair to good in quality, which currently yield around 5% or more from relatively well-protected dividends, are Pacific Lighting, Union Tank Car, Best & Co., Allied Stores, Seaboard Finance, Family Finance, American Tobacco, Chesapeake & Ohio, Reynolds Tobacco, International Shoe, Helme, Kresge, Woolworth, Life Savers, National Biscuit, Safeway Stores, Standard Brands, Sunshine Biscuits and Wrigley. If your aim is primarily to make money in the stock market—especially fast money—stocks such as these will, of course, not serve that purpose.

Marked Down

Some stocks with merit for longer-term appreciation have been marked down substantially from earlier 1955 highs, and are worth considering by those with a reasonable amount of patience, although it would take more decline than has been seen, or than is likely, to put them down to a bargain level. One example, on which we have heretofore commented favorably from time to time is McGraw-Hill Publishing Company, leader in the trade-journal and related fields. Earnings this year probably will compare satisfactorily with 1954's record $6.73 a share.

Pure Oil

Recently split 2-for-1, this stock is now at 35½, against high of 41½ attained not many weeks ago. The mark-down is over 14%. Earnings this year probably will be in the vicinity of $4 a share, compared with $3.56 in 1954. Thus, the issue is priced at less than 9 times earnings. Assuming dividends at $1.50, or equal to last year's, whereas they might be more, the yield is over 4.2%. That is not large, but neither is it low for a growth-oil. The company has a good crude oil position, relative to refinery needs, its natural gas reserves are among the largest in the oil industry when measured in value on a per-share basis, and the potential for long-run growth of oil and gas earnings is well above average.

Outboard

The Outboard, Marine & Mfg. Company is by far the leading maker of outboard motors. Demand is in a strong upward trend, reflecting the record level of consumer income and the public's increasing emphasis on recreation, including boating. It is also being stimulated by more recent improvement in models than had previously been made in the entire history of outboards—including motors up to 25 and 30 horsepower (capable of powering a moderate-cost cabin cruiser), electric starters and relatively quiet motors. Despite having been hampered by a strike in its first quarter, Outboard Marine probably will net at least $3 a share for the fiscal year ending next September 30, a new record, comparing with $2.55 in the prior year. This means a more than tripling of earning power since 1949. Despite expansion needs, the highly conservative $1 dividend, only a third of likely earnings, could be raised. It of itself represents the third boost since 1952. The stock is now at 39½, down over 13% from earlier 1955 high of 45½. That is about 13 times projected current year net, or a fairly reasonable valuation as growth stocks go. Industrials of the Dow-average type are around 12 times estimated 1955 earnings.

Insiders

Official reports show some insider buying of the following stocks, on a non-option basis, in April: Chesapeake & Ohio, Continental Baking, Gardner-Denver, Grayson-Robinson Stores, Spiegel, Bell & Howell and Standard Oil (New Jersey). The same reports show some April insider selling of the following issues: Braniff Airways, Eastern Stainless Steel, and National Department Stores.

Stock Groups

Stock groups showing above-average strength in recent trading and up to this writing include air transport, aluminum, building materials, liquor, chemicals, drugs, finance companies, machinery, office equipment, radio-television, mail order and motion pictures. On the laggard side at this time are oils, dairy products, rail equipment, food stores, sugar and textiles.

Strong

Stocks currently showing special strength include Allied Chemical, Aluminum Company, Canadian Pacific, Commercial Credit, Congoleum, Dow, Eastern Air Lines, Federated Department Stores, Granby Mining, Heinz, Hercules Powder, Lehigh Portland Cement, Mack Trucks, Minneapolis-Honeywell, Motorola, Pfizer, Pitney-Bowes, Reynolds Metals, St. Regis Paper, Southern Railway, Texas Utilities and Western Air Lines.

Soft

Some stocks faring relatively poorly at this writing are American Safety Razor, City Products, Kress, Murphy, Bullard, Curtis Publishing, Kroger, Mullins Mfg., American Water Works, Armstrong Cork, Cannon Mills and Pacific Tin.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

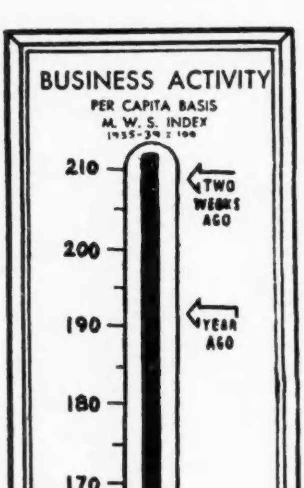
		1955	1954
Bliss (E. W.) Co.	Quar. Mar. 31	$ .75	$1.01
Cone Mills	Quar. Mar. 31	.24	.30
Foster Wheeler Corp.	Quar. Mar. 31	.50	2.18
Ruberoid Co.	Quar. Mar. 31	.44	.63
Sutherland Paper Co.	Quar. Mar. 31	.74	1.15
El Paso Natural Gas	12 Mos. Jan. 31	1.88	3.45
Jefferson Lake Sulphur Co.	Quar. Mar. 31	.34	.77
National Cylinder Gas	Quar. Mar. 31	.44	.71
Bucyrus-Erie Co.	Quar. Mar. 31	.65	1.12
Bullard Co.	Quar. Mar. 31	.02	3.73

The Business Analyst

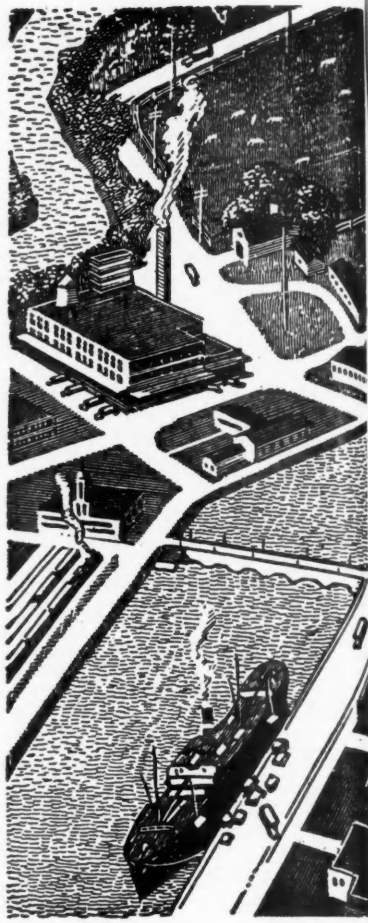
WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

Business leaders and investors will recognize as no mere coincidence that the return of vigorous competition to the economy has been accompanied by an upsurge in the over-all business picture. General conditions improved as we moved away from an economy of artificial scarcities, soaring prices, black markets, "pay under the table" and the rigidity that largely destroyed the knowledge and knack of selling. We are living in a time of plentiful goods, declining prices, the give-and-take of a free-enterprise society and a return of spirited competition for the consumer's dollar.



In the post-war period many people argued that the automotive industry would be up against a glutted market once the demand for cars, pent up by the war years, was satisfied. Yet 10 years after the end of World War II more cars are being sold than ever before because the industry is contending strenuously for new business. In the first five months of this year, output totaled some 3.6 million cars and about 515,000 trucks. In the comparable 1954 period, 2,452,785 cars and 469,082 trucks were completed. Inventories are around record levels and could lead to fantastic bargains in the second half of this year as the industry clears the way for 1956 models. Yet, this highly competitive industry has shown no fear of a market glut. Indeed, all of the major companies have plans to increase facilities in the years ahead.



Just as there is no shortage of motor cars, there is no dearth of television sets. Indeed, there are 36 million owners of black-and-white TV sets, but only a relative handful own the new color receivers, which often sell above $1,000, or five times the price of monochrome receivers. The long years of haggling with Government officials over which company's color system was best for the public are over. Now the TV industry must go into large-scale production of color sets and bring the added feature of color into close price competition with black-and-white.

The tourist industry has learned that Florida and European vacations are not for the idle rich alone. The idea of competing for a mass market in this field, selling "piggy bank" vacations and deferred-payment plans, has proven a bonanza for alert travel and hotel people.

Conversely, people have shown a tendency to turn their back on products that fail to compete. At $1.25 a pound, the housewife bought sparingly and even developed a practice of getting more cups of coffee out of a pound. The dairy interests long ago got the Government to keep butter prices artificially high. With butter around $1 a pound and oleomargarine selling for 25 cents, it was not long before oleo consumption surpassed butter.

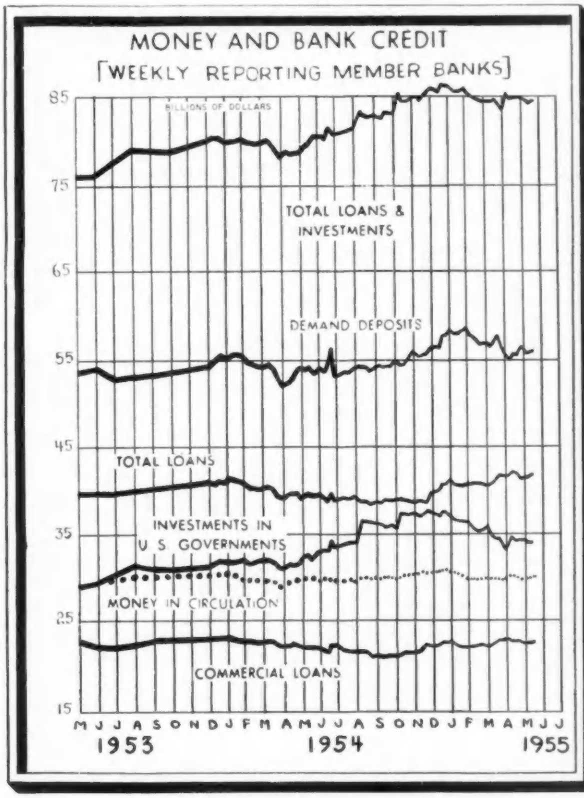
Another example is provided by retailers, big and little. Not satisfied to let the marketplace be the arbiter of prices, they lobbied for and obtained "fair trade" legislation. Under this system, a manufacturer put a price on an article that assured him and the retailers a handsome return. Result was that thousands of price-cutters, known today as "discount houses," sprung up. They undersold the long-established stores on a wide variety of wares by as much as 45% below list price.

Old-line store executives now are saying fair-trade laws are a farce, unenforcable, unfortunate and should be repealed. Many already are competing with the price-cutters, returning to the principles that made their stores household names in the first place.

HIGHLIGHTS

MONEY & CREDIT—The financial community's main economic function, that of providing money for business and government, is due for a heavy work-out in coming months. Biggest borrower will be the United States Treasury which always uses red ink in the July-December period and will need some $10 billion to tide it over the first half of its fiscal year which starts next month. Majority opinion is convinced that the opening gun in the Government's money-raising campaign will be a short-term tax-anticipation issue this Summer, but even this type of financing will exert some pressure on the supply of funds. State and local governments are also planning sharp increases in their borrowing, and turnpike flotations, which have been in hibernation since December, will be coming to the forefront soon. Florida is scheduling a $74 million issue for June 7 with proceeds to be used to build the Fort Pierce to Hollywood expressway and the Texas Turnpike Authority will endeavor to borrow $58.5 million on June 14 for a Dallas to Fort Worth thruway. These flotations are only a small part of the thruway backlog, amounting to some $1,650 million, a good part of which may be coming to market before the snow flies. With corporate borrowing also growing and new money needed to finance crops, additions to inventories, home mortgage financing and consumer borrowing, the Federal Reserve will have a delicate task in steering its monetary policy so that legitimate demands for money can be satisfied while speculative excesses are discouraged.

Investors in new issues seem to be keenly aware of the coming plethora of investment opportunities in the fixed income field and current demand for new flotations is at a low ebb. In fact, underwriters' shelves are well-stocked with unsold wares and the recent rise in bank loans to brokers is believed to represent credit advances to dealers to carry such securities. Surprisingly, most seasoned long-term obligations have not been much affected by the weakness in new issues. Long-term Treasuries have been mixed, with the Victory 2½s losing ¼ point in the two weeks ending May 31, while the 3¼s of 1983-1978 have moved up ⅛ and the 3s of 1995 have gained ¼. Best grade corporate obligations were mostly unchanged but tax-exempts softened as the supply of new offerings increased and the yield on a representative average of such issues rose to 2.39% on May 26 from 2.37% on May 12.



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TRADE—Consumer demand has continued at high levels during May and total dollar volume of retail trade in the week ending Wednesday, May 25, was about 6% ahead of a year ago, according to Dun & Bradstreet's estimates. All major regions topped the figures of the corresponding period of 1954 and the best showing was made by the Northwest area with a 10% gain. Apparel has been moving well in recent weeks and sales of such home-repair supplies as paint, lumber and hardware have advanced. Heavy appliances were in good demand in the latest week but sales of air conditioners seem to be lagging and dealers are reporting some easing of the demand for both new and used automobiles.

———o———

INDUSTRY—Business conditions have improved further in May, according to the latest report of the National Association of Purchasing Agents. Industrial output was higher again last month and incoming orders topped the advanced levels of April. Prices of some industrial commodities have been advancing slowly as the result of higher production costs but prices as a whole seem to be on the soft side. Manufacturers are carefully building up inventories where production schedules require it but there is no sign of speculative purchasing. Employment has improved further in May and shortages are reported for some types of skilled help.

(Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Apr.	3.2	3.5	3.6	1.6
Cumulative from mid-1940	Apr.	586.7	583.5	544.4	13.8
FEDERAL GROSS DEBT—$b	May 24	277.4	277.3	273.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	May 18	56.3	56.2	53.7	26.1
Currency in Circulation	May 25	29.8	29.9	29.7	10.7
BANK DEBITS—(rb)**					
New York City—$b	Mar.	63.4	63.4	64.1	16.1
344 Other Centers—$b	Mar.	105.4	102.4	97.6	29.0
PERSONAL INCOME—$b (cd2)	Mar.	294.2	292.4	285.0	102
Salaries and Wages	Mar.	202	200	195	99
Proprietors' Incomes	Mar.	50	50	49	23
Interest and Dividends	Mar.	25	25	24	10
Transfer Payments	Mar.	17	17	16	10
(INCOME FROM AGRICULTURE)	Mar.	16	16	16	3
POPULATION—m (e) (cb)	Apr.	164.6	164.4	161.8	133.8
Non-Institutional, Age 14 & Over	Apr.	117.1	117.1	116.0	101.8
Civilian Labor Force	Apr.	64.6	63.7	64.1	55.6
Armed Forces	Apr.	3.1	3.2	3.4	1.6
unemployed	Apr.	3.0	3.2	3.5	3.8
Employed	Apr.	61.7	60.5	60.6	51.8
In Agriculture	Apr.	6.2	5.7	6.1	8.0
Non-Farm	Apr.	55.5	54.8	54.5	43.2
Weekly Hours	Apr.	41.2	41.3	41.4	42.0
EMPLOYEES, Non-Farm—m (lb)	Apr.	48.6	48.2	48.1	37.5
Government	Apr.	6.9	6.9	6.7	4.8
Trade	Apr.	10.5	10.4	10.5	7.9
Factory	Apr.	12.8	12.8	12.5	11.7
Weekly Hours	Apr.	40.2	40.7	39.0	40.4
Hourly Wage ($)	Apr.	1.86	1.85	1.80	77.3
Weekly Wage ($)	Apr.	74.77	75.30	70.20	21.33
PRICES—Wholesale (lb2)	May 24	110.3	110.3	111.3	66.9
Retail (cd)	Mar.	207.5	207.5	208.3	116.2
COST OF LIVING (lb2)	Apr.	114.2	114.3	114.6	65.9
Food	Apr.	111.2	110.8	112.4	64.9
Clothing	Apr.	103.1	103.2	104.1	59.5
Rent	Apr.	129.9	130.0	128.2	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Mar.	15.1	14.8	13.9	4.7
Durable Goods	Mar.	5.5	5.2	4.9	1.1
Non-Durable Goods	Mar.	9.6	9.6	9.0	3.6
Dep't Store Sales (mrb)	Mar.	0.86	0.85	0.79	0.34
Consumer Credit, End Mo. (rb)	Mar.	29.9	29.5	27.8	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Mar.	27.7	25.6	22.9	14.6
Durable Goods	Mar.	14.0	12.7	10.2	7.1
Non-Durable Goods	Mar.	13.7	12.9	12.7	7.5
Shipments—$b (cd)—Totals**	Mar.	26.4	25.2	24.1	8.3
Durable Goods	Mar.	13.1	12.4	11.4	4.1
Non-Durable Goods	Mar.	13.3	12.8	12.7	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Mar.	77.8	77.7	80.1	28.6
Manufacturers'	Mar.	43.7	43.7	45.8	16.4
Wholesalers'	Mar.	11.6	11.6	11.8	4.1
Retailers'	Mar.	22.5	22.4	22.6	8.1
Dep't Store Stocks (mrb)	Mar.	2.4	2.4	2.4	1.1
BUSINESS ACTIVITY—1—pc	May 21	212.2	209.8	190.6	141.8
(M. W. S.)—1—np	May 21	268.3	265.2	236.8	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 363)

COMMODITIES—The Bureau of Labor Statistics' index of spot prices of 22 sensitive commodities was down 0.3% in the two weeks ending May 27, giving up its advance of the previous fortnight to close at 89.2% of the 1947-1949 average. The textile component of the index had the largest drop, one of 1.5%. Livestock prices fell 1.2%, raw industrial commodities were down 0.9% and fats and oils lost 0.3%. Foodstuffs gained 0.6% during the period and metals added 0.2%.

127,000 **NEW HOMES** were started in April, a 9% increase over March and 18% more than a year ago. On a seasonally adjusted basis, however, the April increase was less than seasonal and housing starts during the month on this adjusted basis, at annual rates, were equivalent to 1,309,000 units. This compares with 1,407,000 units for the month of March. There are several reasons for the easing in the seasonally adjusted annual rate, including the fact that some sections of the industry are operating at close to capacity combined with greater caution by some lenders.

* * *

New orders for **MACHINE TOOLS** dipped in April after four consecutive months of higher orders. Total incoming orders in April were estimated at $53.5 million by the National Machine Tool Builders Association, down from $63.5 million in March but well above the $42.3 million worth of orders received a year ago. The dollar value of machine tool shipments in April equalled the new order volume, amounting to $53.5 million, versus $59.9 million the previous month. Output was slightly lower in April, being valued at $69.6 million as against $71.4 million in March. At current rates of output it would have taken 4.5 months to complete all orders on the books at the end of April. This compares with 4.4 months in March and 4.1 months a year ago, at then-current output rates of $111.9 million a month.

* * *

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Apr.	136	135	123	93
Mining	Apr.	121	122	109	87
Durable Goods Mfr.	Apr.	151	148	134	88
Non-Durable Goods Mfr.	Apr.	124	123	115	89
CARLOADINGS—t—Total	May 21	774	757	682	933
Misc. Freight	May 21	387	383	346	379
Mdse. L. C. I.	May 21	63	62	62	66
Grain	May 21	48	49	45	43
ELEC. POWER Output (Kw.H.) m	May 21	9,730	9,673	8,373	3,266
SOFT COAL, Prod. (st) m	May 21	9.3	8.9	7.2	10.8
Cumulative from Jan. 1	May 21	170.8	161.5	145.9	44.6
Stocks, End Mo.	Mar.	63.7	63.8	72.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	May 20	6.7	6.7	6.4	4.1
Gasoline Stocks	May 20	171	171	175	86
Fuel Oil Stocks	May 20	43	44	46	94
Heating Oil Stocks	May 20	76	72	68	55
LUMBER, Prod.—(bd. ft.) m	May 21	280	264	267	632
Stocks, End Mo. (bd. ft.) b	Mar.	9.1	9.1	9.2	7.9
STEEL INGOT PROD. (st) m	Apr.	9.8	10.0	7.0	7.0
Cumulative from Jan. 1	Apr.	37.1	27.3	29.3	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	May 26	403	476	288	94
Cumulative from Jan. 1	May 26	7,543	7,140	5,343	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	May 21	237	244	215	165
Cigarettes, Domestic Sales—b	Feb.	28	32	27	17
Do., Cigars—m	Feb.	438	446	444	543
Do., Manufactured Tobacco (lbs.)m	Feb.	15	16	16	28

PRESENT POSITION AND OUTLOOK

BUSINESS FAILURES were lower in April as 903 firms closed their doors, versus 1,038 casualties in March and 975 failures in the corresponding 1954 month. Dun's Failure Index dipped to 37 for each 10,000 enterprises listed in Dun & Bradstreet's Reference Book, from 41 the previous month and 40 a year ago. **LIABILITIES** involved in April failures declined to $36.0 million, the lowest total since November. In the first four months of this year, total liabilities of failing firms amounted to $157.1 million, down from $177.2 million in the corresponding period of 1954.

* * *

Consumption of **NEWSPRINT** in April amounted to 431,788 tons, a 4.1% increase from a year ago, the American Newspaper Publishers Association has reported. Consumption in the first four months of 1955 rose to 1,619,424 tons, an all-time record and 6% above the corresponding 1954 period. Daily papers had a 31 day supply of newsprint on hand or in transit at the end of April, down from a 33 day supply available a month earlier.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

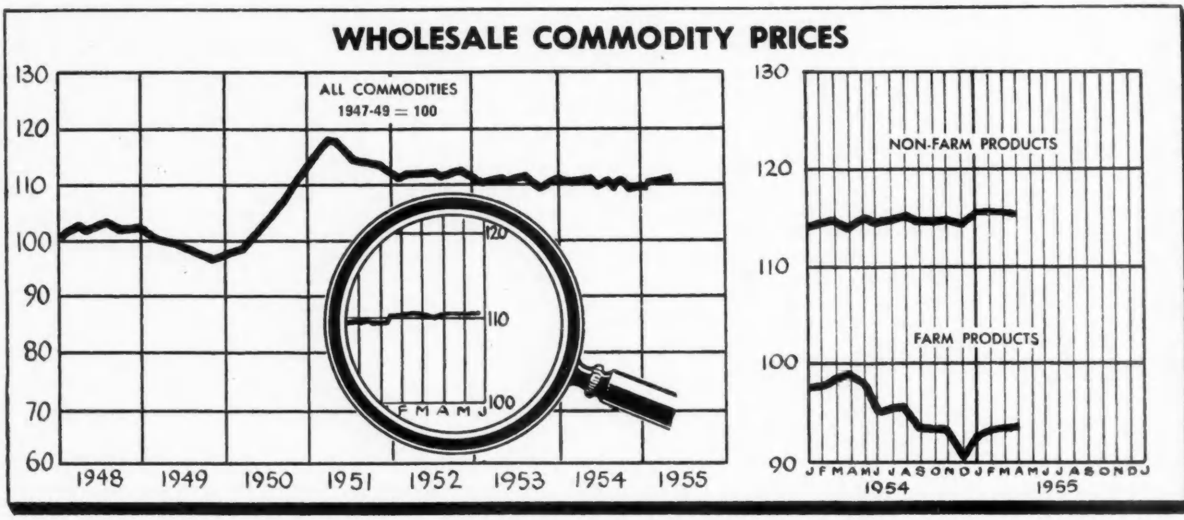
No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 May 20	1955 May 27
300 Combined Average	309.4	282.0	306.4	309.4H
4 Agricultural Implements	313.5	264.9	297.3	308.1
3 Air Cond. ('53 Cl.—100)	116.0	103.2	105.6	104.4
10 Aircraft ('27 Cl.—100)	1,084.9	880.9	908.8	955.1
7 Airlines ('27 Cl.—100)	1,190.5	971.2	1,148.7	1,190.5
4 Aluminum ('53 Cl.—100)	283.7	191.1	258.1	283.7H
7 Amusements	172.6	147.0	167.8	172.6H
9 Automobile Accessories	346.4	308.3	333.7	333.7
6 Automobiles	48.9	44.3	47.5	48.4
4 Baking ('26 Cl.—100)	29.8	27.8	29.8	29.5
3 Business Machines	857.5	657.4	817.6	830.9
6 Chemicals	520.7	466.6	520.7	520.7
3 Coal Mining	19.4	14.8	16.7	17.4
4 Communications	116.6	103.9	114.5	113.4
9 Construction	119.6	106.4	116.3	118.5
7 Containers	718.6	675.1	696.9	718.6
7 Copper Mining	280.1	222.2	257.0	263.9
2 Dairy Products	124.7	117.6	123.5	122.3
6 Department Stores	90.5	80.0	89.7	90.5H
5 Drugs-Eth. ('53 Cl.—100)	151.2	129.6	147.2	144.5
6 Elec. Eqp. ('53 Cl.—100)	174.7	156.0	166.9	166.9
2 Finance Companies	638.8	589.6	638.8	632.6
6 Food Brands	300.6	266.6	292.8	290.2
3 Food Stores	149.2	137.7	147.8	147.8

Nov. 14, 1936 (Cl.—100)	High	Low	1955 May 20	1955 May 27
100 High Priced Stocks	199.2	180.6	196.6	199.2H
100 Low Priced Stocks	383.1	343.5	377.1	379.6
4 Gold Mining	806.0	684.8	770.4	706.2
4 Investment Trusts	157.1	143.8	151.2	149.7
3 Liquor ('27 Cl.—100)	1,036.9	961.3	1,026.1	1,036.9
9 Machinery	395.8	317.7	359.9	359.9
3 Mail Order	188.6	159.3	185.4	188.6H
4 Meat Packing	134.4	112.8	130.8	129.6
5 Metal Fabr. ('53 Cl.—100)	178.8	155.9	170.6	173.8
10 Metals, Miscellaneous	401.6	358.2	376.3	387.1
4 Paper	920.6	767.1	912.5	920.6H
22 Petroleum	632.1	590.0	602.0	614.0
22 Public Utilities	249.1	234.8	246.7	246.7
7 Railroad Equipment	88.4	73.4	82.4	80.9
20 Railroads	75.9	64.7	74.6	75.2
3 Soft Drinks	528.9	459.9	505.9	510.5
11 Steel & Iron	253.1	219.2	244.1	244.1
4 Sugar	68.8	56.1	66.5	65.3
2 Sulphur	922.1	813.2	863.4	922.1H
10 Television ('27 Cl.—100)	47.3	40.7	47.3	46.9
5 Textiles	170.9	148.4	170.9	170.9
3 Tires & Rubber	158.1	137.8	155.2	158.1
5 Tobacco	89.6	81.9	87.1	87.9
2 Variety Stores	315.0	290.1	293.2	293.2
15 Unclassif'd ('49 Cl.—100)	155.2	146.3	150.8	150.8

H—New High for 1955.

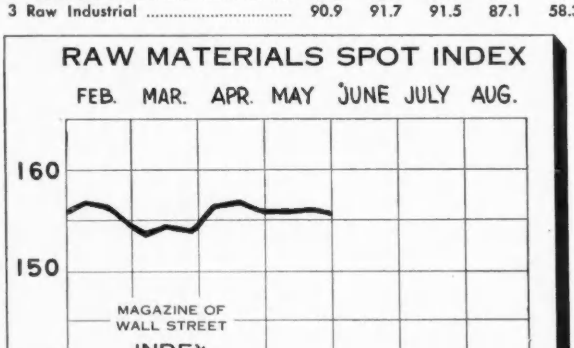
Trend of Commodities

Commodity futures followed disparate trends in the two weeks ending June 1, although the bears seemed to have a bit of an edge. Coffee futures, however, were exceptionally strong and this enabled the Dow-Jones Commodity Futures Index to show a gain of 0.31 points in the period under review. July wheat closed at 198¼ on June 1, unchanged from two weeks earlier. Harvesting operations are now building up to a July peak but the seasonal pressure on prices should not be as great as usual because of a smaller crop, a high support level and a current scarcity of "free" supplies. Weather conditions have improved but it is rather late for this to have any significant effect on the crop in drought areas. July corn lost 3½ cents in the fortnight to close at 143¼. Heavy rains have bettered the outlook in some sections. Feedstuffs are in abundant supply and corn exports are lagging. However, reports of a reduced Argentine crop should mean bigger overseas demand for American corn. October cotton lost 28 points in the two weeks ending June 1 to close at 33.93 cents. Growing conditions are good and the crop has been coming along nicely thus far. However, it should be remembered that plantings this year have been at least 10% under a year ago and this is conducive to rapid upward price movements if a crop scare were to develop during the growing season. The cotton cloth market has been receiving a fair volume of business and cotton consumption has experienced a less than seasonal decline in recent weeks. Exports are still lagging however and the total for this season may not top last year's overseas shipments of 3,760,000 bales. It is estimated that the July 31 domestic cotton carryover will approximate 10.6 million bales, versus 9.7 million a year ago.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

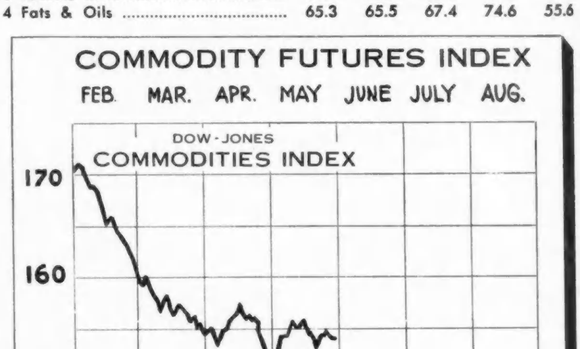
	Date May 27	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.2	89.5	89.9	93.0	53.0
9 Foodstuffs	86.6	86.1	87.5	102.1	46.1
3 Raw Industrial	90.9	91.7	91.5	87.1	58.3
5 Metals	105.5	105.3	104.4	95.7	54.6
4 Textiles	84.4	85.7	85.8	87.6	56.3
4 Fats & Oils	65.3	65.5	67.4	74.6	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	156.9	162.2	181.2	215.4	111.7	88.9	57.7	86.6
Low	147.8	147.9	160.0	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	183.7	166.5	192.5	214.5	95.8	74.3	65.8	93.8
Low	152.5	153.8	168.3	174.8	83.6	58.7	57.5	64.7

WHAT'S NEW?

—A Record of Important Company Developments

R. H. Macy & Co., Inc. common showed outstanding strength until directors in late May declared the usual 40 cents for the quarter. With sales and net profit running sharply ahead of the year-ago period, there had been much talk of an increased dividend. This department store chain, whose fiscal year ends July 31, reported for the 13 weeks to April 30 net of $643,000, equal to 22 cents a common share, on sales of $87,197,000. For the like period a year ago, net was $475,000, or 12 cents a share, on sales of $79,130,000. Thus, sales are running more than 10% ahead of the 1954 period and should continue their upturn as Macy begins to benefit from its vast program of branch stores. Although the company generally follows a policy of leasing stores, in order to retain capital for merchandise and such items as accounts receivable and fixtures, cash needs are expected to be considerable over the near term. Like other department stores, Macy is confronted with the problem of preserving profit margins on appliances and other wares as a result of the vigorous competition provided by discount houses. However, Macy is no mean price-cutter itself and has the distinction of operating profitably in every one of the 97 years of its existence. Some dividend has been paid in every year since 1927.

The Ruberoid Co. in the first quarter this year sustained a decline in net profit to $646,000 compared with $890,000 in the three months to March 31, 1954. This company, which produces such items as roofing, shingles and asbestos products for the booming building business, showed however a rise of 11% in sales to $16,641,00 in the 1955 period. The earnings slide was due to keenly competitive conditions in the asphalt roofing business. With building activity continuing around record levels, the balance of the year's operations should improve profit-wise. The Ruberoid record includes a history of dividend payments in each year going back more than a half century and a record of rising profits and sales that, aside from a few pauses, carried to new peaks each year.

St. Regis Paper Co.: the third largest in the industry, is continuing to acquire other companies, accelerating its internal growth trend. The latest acquisition is the Pollock Paper Corp., a waxed paper and folding box maker. Its sales last year were over $33 million. A few months ago St. Regis took over Michigan Molded Plastics Co. which has an annual volume of $3.4 million. Under way at the company's Jacksonville and Tacoma mills is a $40 million proj-

(*Please turn to page* 375)

Important Dividend Changes

May 18th to May 31st

INCREASED DIVIDENDS

	New Rate	Period
Utah Power & Light	$ .55	......
Cosden Petroleum	.37½	Qu.
Commonwealth Edison	.50	......
Food Fair Stores	.25	Qu.
General Mills	.75	Qu.
Yale & Towne Mfg.	.75	......

INITIAL DIVIDENDS

	Rate	Period
Lily Tulip Cup (new)	$ .40	Qu.
U. S. Hoffman Mach. (new)	.30	......
Florida Pr. & Lt. (new)	.25	......
Columbia Broadcasting "A" & "B"	.20	Qu.
Denver & Rio Grande W. (new)	.50	......
Ex-Cell-O (new)	.50	......
Mississippi River Fuel	.35	......

STOCK DIVIDENDS

	Rate
Creole Petroleum	200%

EXTRA DIVIDENDS

U. S. Gypsum	$1.00
Amer. Home Products	.30

RESUMED DIVIDENDS

Walworth Co	$ .20
Granite City Steel	.35

REDUCED DIVIDENDS

Continental Motors	$ .15
McClellan Stores	.40

OMITTED DIVIDENDS

Bon Ami "A" & "B"	
Zonite Products	

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Pitney-Bowes, Inc.

"I have recently taken a trial subscription to your magazine and find it quite informative. Will you please state nature of principal business of Pitney-Bowes and give late earnings and dividends?"

S. A., Orange City, Florida

Pitney-Bowes, Inc. produces a wide selection of machines used by the Post Office for metered mail, postmarking, stamp cancelling, etc. Bulk of revenues comes from mail-metering equipment. Demand for the company's products is stable and is being gradually enlarged.

For the 3 months to March 31, 1955 sales, etc. for Pitney-Bowes, Inc. amounted to $10,381,151, net after taxes equalled $879,035 or 70 cents per common share based on 1,233,375 common shares outstanding. This compares with first quarter 1954 sales of $8,431,421, net after taxes $672,967, equal to 56 cents a share based on 1,194,773 common shares then outstanding.

Sales and earnings of Pitney-Bowes, Inc. reached new highs in 1954, as did placement of postage meters and sales of mailing and business machines other than postage meters. A further increase was shown in the first quarter of 1955 and outlook over the balance of the year appears favorable.

Sales, rental and service income for 1954 totalled $34,968,108, up to 6½% from the 1953 gross of $32,811,928.

A 29% increase in operating results, brought profit before taxes to $6,078,467, compared with $4,712,096. Net profit rose 63% to $2,953,467 from the prior year's $1,809,096. Net earnings were equal to $2.41 per common share, as against $1.48, and represented 8½ cents per dollar of sales, compared with 5½ cents in the previous year.

The improvement in operating results was attributed to an intensive company-wide "profit improvement" program, and the greater proportion of gain in net profit to the expiration of the excess profits tax.

Last year dividend payments totalled $1.20 a share and 35 cents quarterly has been declared thus far this year in addition to a 2% stock dividend on March 18, 1955. Cash dividend payments have been made for 21 consecutive years.

Gross capital assets were listed at $30,529,304, and invested capital at $18,841,521.

A breakdown of the company's 1954 income showed 46¼% derived from rentals of postage meters, 16% from sales of postage meter machines, 17¼% from sales and rentals of products other than postage meters and machines, 17½% from billings for service, parts and supplies, 2% from sales of equipment to the Post Office Department, and 1% from defense sales.

There was an 11% net increase in the number of company postage meters in service in the United States, with a record total of 149,000. U. S. Postal revenues collected through postage meters attained a new high of $878 million for fiscal 1954. This represents 44% of the postage paid on all U. S. mail, a record ratio.

The 1954 profit-sharing declarations totalled $2,159,000, of which $1,121,000 was paid into the trust fund of the employees' retirement income plan, and the balance of $1,038,000 distributed as cash-wage-and-salary-dividends. The latter amounted to about 7% of base pay for most employees, compared with 4½% in 1953.

W. A. Sheaffer Pen Company

"I would appreciate receiving sales volume, earnings, and dividends of W. A. Sheaffer Pen Company for recent fiscal year."

C. W., Lansing, Michigan

Net sales of the W. A. Sheaffer Pen Company for the fiscal year ended February 28, 1955 reached a record high of $27,072,821, an increase of 7.6% over the previous year's record.

The year's volume topped the previous record sales by $1,911,289 and was the largest domestic sales volume of all writing equipment manufacturers.

Net income rose to $2,176,088 or $2.64 a share compared with $2,042,980 or $2.49 a share the previous year before special credit for prior year operations.

Dividends last year totalled $2.15 a share compared with $1.80 in the preceding year.

Provision for income taxes increased $480,000 over the previous year to $2,355,000 and was equivalent to $2.85 per share of common stock.

Employees profit-sharing pay-

(*Please turn to page* 380)

"COLOR TV: WELL UNDER WAY BEFORE CHRISTMAS"

GENERAL SARNOFF POINTS TO INCREASE OF COLOR TV SHOWS AND HOME RECEIVERS

ANNUAL MEETING OF RCA STOCKHOLDERS, May 3, 1955. Approximately 1,100 attended.

NEW YORK, N.Y.—In a statement at RCA's 36th annual meeting of stockholders, Brig. General David Sarnoff, chairman of the board, emphasized the approaching maturity of color television. He said he firmly believed "Color Television will break through and be well under way before Christmas of the present year." He stated that NBC—a service of RCA—is at the forefront of color TV programming. NBC plans for autumn 1955 include colorcasts of a new dramatic series featuring the greatest classics of all time. Color "Spectaculars" will be continued, and other major color shows are planned, including several football games.

RCA color receivers equipped with the 21-inch color tube were placed on the market in December, 1954. Results have been highly successful. Facilities have been set up for large-scale production, and the RCA television tube manufacturing plant at Lancaster, Pa., is being expanded to produce more than 30,000 tubes a month.

How many parts in an RCA color TV set?

More than 2,070 parts are used in the 21-inch RCA Victor Color TV set, and 600 suppliers provide these components.

POLIO RESEARCH AIDED BY RCA ELECTRON MICROSCOPE

An RCA electron microscope, capable of magnifying up to 300,000 times, played an important role in the research that produced the new polio vaccine. It was this same electron microscope that enabled man to see and to photograph the polio virus for the first time.

Today, more than 500 RCA electron microscopes are in use throughout the world — in industry, science and medicine.

NEW RCA AIRBORNE RADAR "SEES" WEATHER MILES AWAY

Aircraft pilots can now keep informed of weather conditions as far ahead as 150 miles. This is accomplished while in flight by means of new RCA airborne radar, which enables commercial airlines to plan flights with greater precision and passenger comfort. The equipment also reveals surface features such as lakes and mountains . . . even when visibility is limited. Airborne radar is another RCA contribution to safer, dependable commercial aviation.

RCA®

RADIO CORPORATION OF AMERICA

ELECTRONICS FOR LIVING

The New Shape of Defense Spending

(*Continued from page* 330)

Marine Corps personnel, down $34 million from the 1955 appropriation of $612 million. This indicates a manpower cut of around 22,000.

Navy's shipbuilding program for fiscal 1956 is the most ambitious ever recorded in peacetime, even in excess of World War I construction, but nowhere near as great as 1943, peak year of World War II naval construction. New vessels planned for 1956 include a new aircraft carrier of the Forrestal class; seven new destroyers; two nuclear powered submarines; a new guided missile submarine; a new radar picket undersea craft; four new conventional powered submarines; two new destroyer escorts; one new ammunition carrier; one new general stores ship; two new mine sweepers, and some 1200 new service craft ranging from small harbor vessels to a new tanker for at-sea refueling of both surface ships and planes.

In addition to this new construction, the Navy plans, by conversion, for two attack aircraft carriers, a light guided missile carrier, an ocean radar station ship, a picket escort vessel, two cable laying craft, a seaplane tender, a guided missile destroyer, one heavy cruiser, and some 12 or fifteen craft of a highly secret nature.

AEC Appropriations

Properly within the realm of defense is the Atomic Energy Commission's budget for 1956, but this agency's activities in the field of weapons research and manufacture simply are not detailed in the budget. The 1955 appropriation for AEC was approximately $1.1 billion. For the approaching year the President has asked an increase of $121 million without specific reference to the need for the increase; it could be for weapons or for research in the area of industrial applications of atomic power. The guess is the reader's, but it can be said without fear of successful contradiction that today's AEC dollar will buy the same destructive force that cost ten times that sum just five years ago!

It has been pointed up in some detail that although the 1956 defense budget is up only $3.4 billion, expenditures for the machines of war—mainly aircraft and related parts, electronics devices and ships—due to carryovers will be around $5 billion more than was appropriated for in the current fiscal year. But the $1.6 billion difference has not been entirely at the expense of our Armed Forces in the terms of manpower. In fact, manpower curtailments amount to approximately $420 million—the remainder coming from cuts in funds from other agencies.

During the coming year, Defense will spend less for uniforms, food, clothing, small arms, vehicles, small ammunition and those items associated with the individual soldier, sailor, marine, or airman, but expenditures for the tools of intercontinental warfare —planes, guided missiles, electronics and radar equipment, Naval craft, and construction of overseas bases—will definitely swing upward.

Not yet charted in the defense picture is the 1956 Foreign Aid program. The President has asked Congress for $3.5 billion, most of it for Asia. But he did not spell out any division of this aid—how much economic, how much military. It is not, however, a dangerous assumption that no less than $2 billion will be military, help in the form of aircraft, guns, tanks, artillery, small arms and some naval craft. The latter, naval craft, possibly donations of some of our present ships which will be replaced by new ships now on the drafting boards or the launching ways.

The economic aid, except for some help in the fields of health and hygiene, will be divided between agricultural products (disposal of some of the surplus foodstuffs held by the Commodity Credit Corp.), heavy machinery and transportation equipment, plus technical help in the modernization of educational and highway facilities in the backward areas.

In summary, the 1956 defense budget (including foreign aid) points up aircraft and related industries, electronics, heavy machinery and shipbuilding as the best areas for investment as the Nation moves from manpower to machines for protection against the powers who dream of world domination through military might. —END

West Coast Dynamism Builds Expanding Markets

(*Continued from page* 337)

future expansion to take place in the Midwest. The West Coast as a site for plane manufacture once was regarded most favorably because of its excellent climate, wide open spaces for plants and experiments plus its proximity to the Japanese war-front, but the ability of an enemy to strike at this country in the Atomic Age has changed the thinking of our military.

This could be grim news for Western folk, for they have battened on the presence in their midst of such companies as Boeing, Douglas, Lockheed, General Dynamics (Convair), North American Aviation and Northrop. Aircraft manufacturers, incidentally, in 1954 had the best profit year in their history. The prospect of a relaxation of tension in international affairs stirs little worry on the Coast about the future of the aircraft industry. In the present mood of Congress and the country, disarmament is for the headlines and the birds.

A compilation of the 10 top defense suppliers of the nation provides a measure of the contribution military hardware has made to upbuilding of the West. Such names as Boeing, Douglas, Lockheed, North American and General Dynamics are among the top 10. Of the remaining five, three—General Motors, General Electric and Chrysler—have important facilities in the region.

Westerners reserve their serious worrying for the whirling winds that have ravaged some 11 million acres of wheat and grazing land which have had scant rain for five successive years. In many areas farmers are going pretty heavily into debt, borrowing on credit established when crops were good. One drought victim, to cite an extreme case, planted wheat on his 600 acres three times this season, only to have it blown away. A New Mexico county agent reports the subsoil moisture is gone and says it will take more than normal rainfall to replenish it. Eastern Colorado and portions of Northeast New Mexico appear to be hardest hit, but few areas of the Far West have gone unscathed.

Ever since its development, the West has been plagued by the

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Finance Companies at New Peak

(*Continued from page* 358)

chased by all of its financing and factoring subsidiaries amounted to $3 billion 957 million. At the close of 1954, C.I.T. had outstanding receivables of $1 billion 351 million, this volume being well over the billion dollar level for the fourth consecutive year. While retail automobile receivables of $885 million constituted the greatest portion of the total receivables outstanding at the year-end, other instalment receivables aggregated $172 million, and the three factoring subsidiaries continued to develop new business, closing 1954 with outstanding receivables of $125.9 million. Net earnings last year were at a record high of $3.85 a share for the common stock after dividends on preference stock all of which was retired during the first half of 1954. In addition, the company realized a non-recurring profit equal to 55 cents a share for the common from the sale of National Surety Corp., a subsidiary, bringing net up to $40.6 million, or $4.40 a share. Based on 1955 first quarter operations, both volume of business and net earnings from operations should exceed last year's figures, net for the first quarter being indicated at 99 cents a share. Dividends, inaugurated in 1924, have been paid without interruption in each of the last 31 years with the current rate at $2.00 annually plus 25 cents extra. At recent market price of 48, C. I. T. common is selling to yield 4.6%. This stock makes an excellent long-term holding for investment.

COMMERCIAL CREDIT CORPORATION, the second largest organization in the consumer credit field, ranks just under C. I. T., with 1954 volume of accounts and notes receivable acquired by its financing and factoring divisions totaling $2 billion 467 million. It closed that year with outstanding receivables of $833.6 million which included $443.3 million of retail automobile paper and $103.4 million of motor wholesale notes and advances, with the balance of approximately $288 million in outstanding receivables reflecting the wide diversification of operations in retail and wholesale financing in other fields, factoring, inventory loans and direct or personal loans secured by liens, and in some case, by "co-maker" notes. Consolidated net income for 1954 was at a record high of $24.2 million. Issuance of 408,245 common shares last year on conversion of 3½% notes, however, brought net for the increased shares outstanding to $4.86 a share. This compared with $5.21 in 1953 and $4.34 in 1952 on stock then oustanding. Dividends, paid in every year since 1934, are currently being paid at an annual rate of $2.60 which at present price of the stock yields 4.8%. This stock may be added to a conservative investment portfolio.

ASSOCIATES INVESTMENT COMPANY is another important instalment credit company, particularly in financing retail automobile sales and making wholesale automobile short-term loans. Its total volume of receivables in these two fields last year was $904 million, with this volume being augmented by other instalment receivables, direct and personal instalment loans and other advances to bring the year's total to $1 billion 58 million. Consolidated net income, including earnings of its principal insurance subsidiary, was at a record high of $15.6 million, an increase of approximately $2.1 million over the previous year, and equal to $4.85 a share for the common stock, as against $4.19 in 1953 and $3.62 in 1952. Reflecting higher automobile purchases and improved volume in other fields, 1955 first quarter consolidated net income of $1.31 a share for the common stock compares with $1.21 earned in the like 1954 period. Within the last three years, the annual dividend rate on the common has been increased from $1.50 a share to current rate of $2.00 a share established this year. The stock, priced around 67, is selling to yield just under 3%. Steady growth of earnings and potentials warrants retention.

HOUSEHOLD FINANCE CORPORATION, operating in 437 cities in 31 states and all of the Canadian Provinces, is one of the largest companies in the personal or small loan business. Last year, its volume of customer notes receivable outstanding totaled $388.7 million, a record figure, increasing in five years from $237.9 million reached in 1950. Household's net income for 1954 also was at a record high, reaching $15.6 million, exceeding the previous year's net by $1.1 million and being more than $4.3 million greater than in 1950. Allowing for the 10% stock dividend paid to stockholders late last year, and adjusting to the 2-for-1 split just prior to that distribution, 1954 net was equal to $2.30 a share. This compares $2.14 on the same basis earned in 1953. Dividends on the new shares are being paid at $1.20 annual rate, yielding 4.0% at recent price of 29½ for the stock. Of somewhat lower investment standing than the three mentioned above, the stock nevertheless has appeal as a semi-investment issue.

BENEFICIAL FINANCE COMPANY, which recently changed its corporate title from Beneficial Loan Corporation is the second largest company in the small loan business. Its 40-year record—beginning with the original company—is one of almost constant growth to where at the present time Beneficial is operating 800 offices in the United States and Canada and in 1954 made loans of $560.5 million. The number of loans made totaled 1,729,161 which is indicative of the increasing popularity of this method of financing family emergencies or meeting planned expenditures for constructive purposes. This growth is further emphasized by Beneficial's steadily rising volume of business in the last 10 years carrying the dollar volume of loans made from $141.8 million in 1945 to 1954's record high. Within this same period, consolidated net income has expanded from $4.5 million for the earlier year to 1954's $15.1 million. This latter figure is equal to record net of $1.55 a share for the common stock adjusted to the 2½-for-1 stock split in January, 1955, and compares with net income, on the same basis, equal to $1.45 a share in each of the three previous years. The new stock has been placed on a quarterly dividend basis of 2[illegible] cents a share, payment of which continues Beneficial's unbroken dividend record extending over the last 26 years. The common stock presently priced in the market at 21 is selling to yield 4.7%. The stock is particularly suited for investors in search of attractive low-priced issues.

END

1955 Outlook for Public Utilities

(*Continued from page* 350)

gospel among the State commissions has now ended. Many State commissions are adopting a more realistic and friendly attitude and the utilities have been able to improve their rates of return moderately. This in turn has helped with their financing and construction programs, giving better service to consumers.

There has been notable improvement in Illinois, Florida and California and in lesser degree in New England. On the other hand the liberal attitude of the Pennsylvania Commission seems to have "hardened" somewhat with the trend toward a Democratic Administration in that state. New legislation has been proposed recently to change the favorable state law, but apparently this will not be enacted.

The utilities are actively interested in power from atomic energy. Almost all the annual reports contain pages describing the action taken by the management to acquaint itself with new developments in atomic reactors. In some cases the company has joined one or two groups which are actively interested in building a reactor. Duquesne Light and Consolidated Edison are actively at work on reactor programs. The New England companies are combined in a group to plan a "Yankee" atomic plant. Among recent disclosures along these lines is Detroit Edison Co. plan to build a $45 million reactor in its service area. The plan provides for the creation of a nonprofit organization to build and operate the plant, Detroit Edison contributing $5 million of the cost. Other projects are being discussed.

However, it may be some years before the engineering difficulties can be overcome sufficiently to produce atomic energy as cheaply as can now be done by burning conventional fuels. Utilities in areas where fuel is high priced, as in New England and Florida, are natural candidates for atomic energy projects. It is too early to appraise the prospects for improved share earnings from atomic power—it will take years to clarify the picture. Consolidated Edison enjoyed a sharp rise on its announcement that it would build a plant and there have been one or two other moves in utility stocks but in general the utilities have not been affected marketwise.

Looking into the future, the utility stocks continue to combine well protected dividends with almost unlimited growth possibilities—tempered always by local regulatory problems. The alert investor can frequently find bargains in special situations where growth potentialities have been overlooked, where more aggressive management has recently entered the picture, or where other new developments may produce a sudden upsurge in earnings. Opportunities also exist in the convertible issues. While the utility stocks will probably continue to follow the market lead of the Dow average to a large degree, the investor can feel more assured of stable future income than with the average industrial stock, since dividend records of many utility companies now go back thirty or forty or even a hundred years. —END

West Coast Dynamism Builds Expanding Markets

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dearth of water. On a recent day, of eight public bond issues publicized, three were for California and all designed to improve the water situation. One was in the amount of $41.5 million, to build water-storage and power-generation facilities. Two smaller ones were for an irrigation district and a municipal waterworks.

On yet another front there is cause to fret. Shipping is vital to the Coast, but the ports of Los Angeles and Long Beach have the lowest labor productivity record in the country. A Federal official has even warned that waterfront unions would be "cutting their throats" if they persisted in cargo-handling slowdowns. In May, trucking operations throughout the West were near a standstill as the result of a wage strike. More than 100,000 workers, including some 28,000 drivers, were affected.

But water shortages, dust bowls, slowdowns and wage strikes are not peculiarly Western. These are problems all areas must cope with and they will be present in the foreseeable future.

For the investor seeking a stake in the dynamic West, there are two choices. He may obtain a share in this great growing area by buying into any one of our great corporate giants which have established themselves on the West Coast to avoid the onerous freight rates entailed in shipping from the Midwest or East and to exploit more efficiently through local plants this major market. A second choice is to invest in a company that is based exclusively on the Far West and a wide range of industry is offered—electronics, steel, aluminum, paper, lumber, oil, food, mining, utilities and dozens of others. While it is true that many West Coast firms are not always as well financed as the more seasoned corporations of the East and Midwest, the rise of vast banking facilities and the influx of new capital have eased this burden. A good illustration is provided by the Bank of America, whose loan total in pre-war 1939 amounted to $711 million. It went into 1954 with this figure at $4,149,000,000. Assets of all Federal Reserve banks in the Far West area have risen in the past 20 years from less than $5 billion to about $25 billion. —END

U. S. Companies Operating Overseas

(*Continued from page* 342)

President Peron's policies which have made impossible the normal transfer of dividends since 1947. However, since the visit in Buenos Aires of the President's brother, Dr. Milton Eisenhower, General Peron has been more cooperative. Apart from the Kaiser-Willys and the San Nicolas Steel Plant deals, Standard Oil of California signed a contract on the basis of which its Argentine subsidiary, the Compania California Argentina de Petroleo, will explore and exploit the oil resources in the southernmost part of the country (the Santa Cruz territory) on a 50-50 basis.

Other corporations which have recently entered or are planning to enter Argentina include the Carborundum Corporation which is building a plant for making abrasives near Buenos Aires with the help of local capital and Monsanto Chemical Company and Merck & Company which are supplying equipment for plants to be operated in conjunction with Argentine firms. A construction of a magnesium products plant by Dow Chemical is being discussed.

Other Investments in Manufacturing Facilities

In general, the latest trends in investment activities of American corporations seem to be governed by two considerations: (one) the development of local manufacturing facilities in countries which, like Australia, seem to be in perennial international payments difficulties; and (two) the anticipation of mass markets for consumer durable goods, such as household equipment. One could add that American corporations are also helping with their know-how to extend newer industries such as manufacturing of plastics, synthetic fibers, and fertilizers.

In Australia, where a long list of American corporations already have subsidiaries or have teamed with local producers, the recent imposition of stiff import restrictions and foreign exchange controls has been followed by a wave of "deals" with local companies. General Shoe of Nashville, Sinclair, and Valentine of New York, Lunn Laminates Co. and several others have entered into technical agreements with local firms. Sears, Roebuck & Co., which ha[s] been eminently successful in it[s] operations in Latin America, i[s] about to enter the Australian dis[tribution] field. Subsidiaries are t[o] be opened by Sperry Corporation and by Caterpillar Tractor Corporation, which will have a plan[t] near Melbourne making machine[s] and parts for earth-moving equipment. Standard Vacuum ha[s] greatly expanded its Altona re[finery] near Melbourne.

The participation of American corporations in expanding manufacturing facilities in anticipation of mass markets extends al[l] over the Free World. The makers of household equipment, such a[s] refrigerators, have been expanding their operations in Western Europe, Mexico and Brazil. Radi[o] and TV equipment making facilities are also being enlarged. For example, RCA is spending som[e] 300 million cruzeiros on a plan[t] that will make TV tubes an[d] transmitters in Belo Horizonte, Brazil. In Europe, Germany, Belgium, and the Netherlands ar[e] profiting from this trend.

In the Netherlands, nearly 4[...] American corporations now hav[e] subsidiaries or manufacture thei[r] products in arrangements with local firms. Dow Chemical, Borde[n] & Company and Merck & Co. ar[e] among those firms reported to b[e] interested in Holland as the locale for their new subsidiaries. Other corporations have been attracted to Italy because of relatively plentiful labor supplies. For example, Remington Rand's new plant in Naples will mak[e] typewriters; the Union Carbide will help the Italian State Corporation make synthetic rubber b[y] utilizing natural gas found in th[e] Po River Valley; the Nationa[l] Biscuit Company has licensed th[e] Motta Corporation of Milan t[o] make some of their specialties.

Oil Companies Also Active

The rapidly expanding petroleum requirements of Western Europe and other parts of th[e] Free World, and the pressin[g] need of many countries to reduc[e] their petroleum bill by developin[g] their own resources, have kep[t] American oil companies on thei[r] toes exploring for new source[s] and expanding their overseas re[finery] facilities.

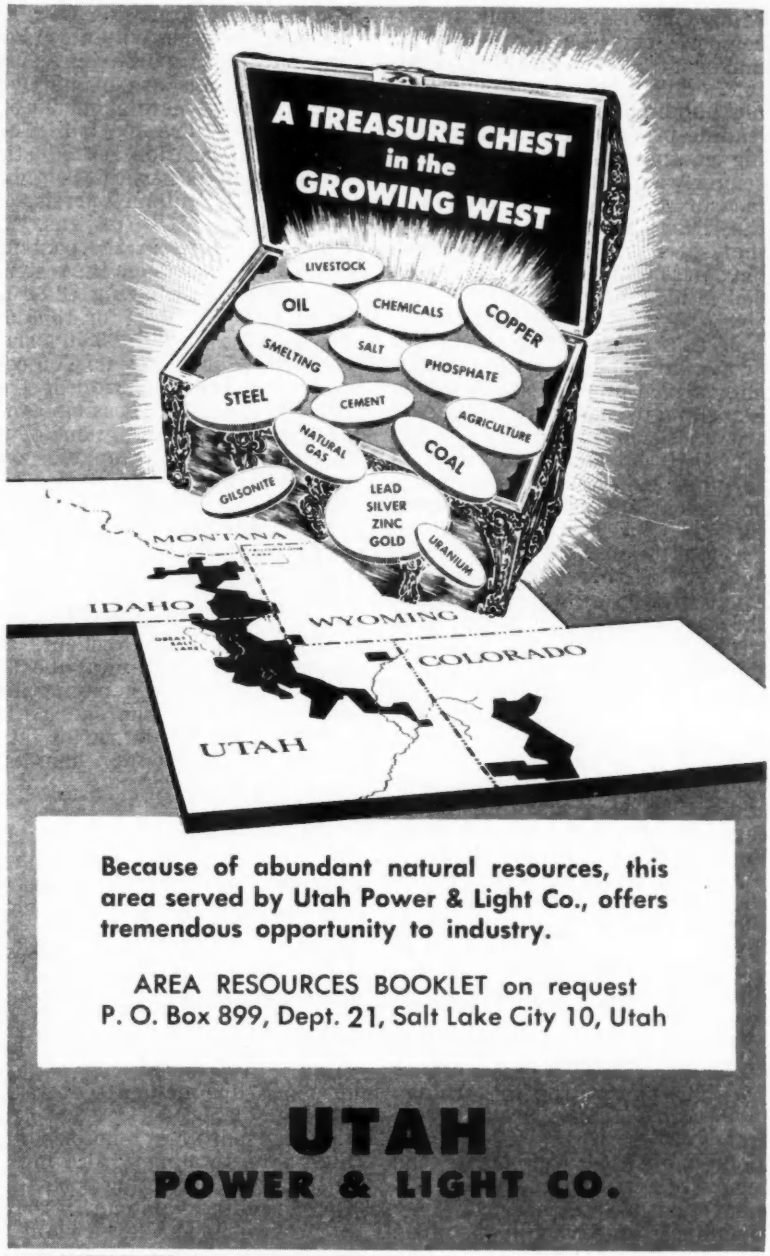
Standard Oil of New Jerse[y] for example, through its vario[us] affiliates and subsidiaries, ha[s] participated in recent petroleu[m] discoveries in Alberta, Saska[...]

hewan, Southern France, Iraq, Sumatra and New Guinea. It is also under contract to explore the Ganges River Delta for the Indian Government and the Indus River Valley for the Pakistan Government for petroleum resources. One of its affiliates, Standard Vacuum Oil Co., is to spend $70 million or more over the next four years in modernizing and expanding Indonesian oil producing and refining facilities in Sumatra. Standard Oil has also invested more than $20 million in a large conservation and recovery project near Maracaibo, Venezuela, and is building or expanding a number of new refineries. Those at Antwerp, Belgium, and Hamburg, Germany, are among those recently finished.

Another company, Socony Vacuum, has announced that it will invest over $50 million for exploration and the development of its Venezuelan refining facilities.

Outside of Canada, the development of natural resources by American private capital includes the tapping of vast Mexican sulphur deposits by Mexican Gulf Sulphur Co. and Pan-American Sulphur Co. In Peru, several leading corporations headed by U. S. Smelting and Refining are planning to spend over $200 million in the development of copper deposits. Copper production was also begun in the Philippines by Atlas Corporation. American interests are likewise participating in the development of Belgian Congo's great mineral wealth.

In the case of natural rubber, Goodrich and Firestone are expanding their operations in Liberia, while Goodyear opened another plantation in Brazil. In Central America, United Fruit is expected to expand its operations now that its local contracts in Panama and elsewhere have been renegotiated and put on a more permanent basis. —END



What's New?

(*Continued from page* 367)

ct for new kraft and board machines. It is estimated that the output of these machines plus the Pollock and Michigan Molded acquisitions will add $100 million to $125 million a year to St. Regis' 1954 volume of $200 million. The extra kraft capacity should be especially welcome since it is the company's most profitable line of business. For the March quarter of 1955, sales were the highest for any quarter in St. Regis history, amounting to $55 million versus $50.1 million posted in the equivalent 1954 period. Net earnings inched slightly ahead in this span to $4.1 million or $.72 a share compared with $3.9 million and $.70 last year. Thus St. Regis continues to grow and looking actively for further acquisitions for diversification and sales volume. Minimum earnings projections for 1955 are slightly above $3 per share, while sometime in 1957 net income is expected to rise to over $5 a share.

Trane Co., which bowed in on the New York Stock Exchange this month, is one of the fastest-growing firms in the air-conditioning field. Its sales have increased 350% in the past 10 years. Net profits jumped 58.3% to a record $3,403,000 in 1954 from $2,149,000. Earnings were equal to $2.84 a common share against $1.79 in 1953, based on the 1.2 million shares outstanding

(*Please turn to page* 376)

after a 2-for-1 stock split in December. This La Crosse, Wis., maker of air-conditioning, heating and ventilating equipment for big buildings, also is becoming a leading producer of air-conditioning equipment for railroad passenger and freight cars. A measure of the over-all growth of the Trane business is the fact that sales, at $9,548,000 in 1944, have risen in every year to top $50 million in 1954.

Mississippi River Fuel Corp.: owner and operator of a major natural gas pipeline system from Louisiana to the Greater St. Louis area is continuing its steady growth trend and broadening its earnings base. The company reported earnings of $3.50 a share for 1954 up from $3.12 in the previous year, and in the first quarter of this year, net was equal to $.98 on the 1.6 million shares outstanding, compared with $.90 per share on 1.3 million shares in the 1954 period. Mississippi Fuel is constructing a $15 million petro-chemical plant near St. Louis and should be in partial operation this fall. When in full operation, the plant is expected to add nearly $1 a share to annual earnings. The company, in addition has several other situations under consideration, including chemical projects which will further diversify its operations. Stockholders have just approved a 2 for 1 common stock split and directors voted a dividend of 35 cents on the new stock.

Cincinnati Milling Machine Co.: The sharp drop in earnings to 95 cents in the first quarter from $4.34 in the first three months of 1954 was partly the result of greatly reduced shipments in the latest period. They amounted to $20 million, little more than half those for the like period last year. This lower current rate of shipments reflects the generally small machine tool orders placed during most of 1954 with the entire industry. The current rate of orders for the company, however, is substantially higher than it was toward the end of last year and is expected to increase as the year progresses. In addition, the company now is in the midst of extensive new product development but meanwhile, costs of engineering development, tooling, model changeover and other plant adjustments are hindering current operations.

Texas Pacific Coal & Oil: This company is essentially a crude oil and natural gas producing enterprise. Holdings are primarily in West Texas, where about 90% of its reserves are located. These are large in relation to production, being estimated in the neighborhood of 100 million barrels, and 300 million MCF of gas. The earnings record in the past several years has been in a steady upward trend, showing $3.86 per share in 1952, $4.29 for 1953 and $4.43 last year, with $5.00 a share estimated for this year. The company has been mentioned, from time to time, as a possible candidate for absorption by one of the larger integrated companies with merger or exchange prices considerably in excess of current market price for the stock. Texas & Pacific spent $11.1 million last year in an aggressive drilling program with better-than-average-growth of production. Financial condition is excellent, and there is no senior capital ahead of the common which is paying dividends of $1.65 per share. The stock appears to be in an interesting position for long-term appreciation.

Union Carbide & Carbon: Reflecting improved operations in the steel industry, strong demand for chemicals, and added output of new facilities, sales should continue the uptrend witnessed in the final quarter of last year and now extending through the first half of 1955. While 1954 volume dipped to $923.6 million from $1,025.8 million the year previous, due mainly to decreased level of steel production, construction expenditures remained at a high rate, totaling $111.4 million with 1955 budgeting providing for a similar amount. Current projects include a large plant for production of titanium metal, a plant to produce silicones, and expanded facilities for production of polyethylene. From a longer point of view, the company, with an outstanding record of product and process development, is continuing its efforts to diminish its heavy dependence on cyclical industries by placing greater emphasis on chemicals, plastics and newer products. Earnings for 1955 may be limited somewhat by increased charges for accelerated depreciation but should show a good gain over the $3.10 a share reported last year. As a major growth industrial, Carbide's future seems assured by its leading position, outstanding research and aggressive expansion program.

Seaboard Air Line R.R.: This road serves a territory that has been growing industrially and is rich in natural resources with promising potentials for further development. Seaboard's large post-war capital expenditures have brought about a high degree of operating efficiency, and coupled with an above average revenue uptrend has produced substantial increases in earnings and dividends for the stock in recent years. Operating revenues in 1953 and 1954 declined from the peak level attained in 1952, but net income remained fairly steady at $8.51 a share last year against $8.90 in 1953 and $8.19 in 1952 attesting the system's tight control of expenses. Even during the sliding off of revenues in the worst period of 1954, which all roads experienced, Seaboard's maintenance and transportation ratios deviated much less than most other lines, especially those in other regions of the country. Earnings this year, based on improved operating results for the first three months, are likely to exceed $9.00 per share. In view of its better than average traffic prospects and secure $4.00 dividend rate, the issue is a sound investment rail holding.

Pfizer (Chas.) & Co.: The gains made in gross revenues by the company over the past few years have been the highest in the ethical drug industry. It is now one of the largest in the field and a leading producer of antibiotics, vitamins, citric acid and other chemicals, and animal feed supplements. Tremendous strides have been made since prior to 1941 when annual sales, mostly of citric acid, were less than $8 million. In comparison, sales last year amounted to $145.2 million, for a gain of approximately 1700% in the short span of 1[illegible] years. Despite an industry-wide decline in dollar volume since 1951, Pfizer's sales rose 45% during this period, and earnings while lagging behind gross, have trended upward. Last year earnings were reported at $2.95 per share, up from $2.74 in 1953.

In the first quarter of 1955 net income again increased to [illegible] cents a share from 66 cents in 1954's first quarter on a 10.2[illegible] bulge in sales. At this rate, to[illegible]

volume for the current year is likely to approach $170 million. Pfizer's excellent long-term appeal lies in its vigorous management, unexcelled research, and its growing product list which promises strong growth.

Corn Products Refining Co.: over the years, has maintained a remarkably steady pattern of volume and profits, generally trending slightly upward, as it reflects economic influences in its business. The company, in endeavoring to broaden and stimulate its operating and earnings base, is placing considerable emphasis on development and promotion of new products. It now has a list of about 119 potential new items, and is hopeful that at least a few of these will be found adequate for profitable development. Corn Products is already market-testing several new products, including two new salad dressing mixtures, a ready-mixed cake frosting and its new chemical fabric softener rinse, Nusoft. To promote the new lines, it is spending more than $5 million on advertising this year. Last year, net sales totaled $194.7 million, shading the $193.7 million of 1953, while net results amounted to $5.24 a share, moderately below 1953 earnings of $5.42. On April 26, 1955, stockholders approved splitting the common stock 3 for 1, with Directors stating their intention of placing the new stock on an annual $1.30 a share dividend basis, equivalent to $3.90 a share on the present stock. —END

Companies with High Book Value and Rising Earnings

(*Continued from page* 353)

company also has been engaged over the years in an intensive research program.

Stockholders this year approved a proposal by directors to raise the debt limit to $20 million from $10 million. The old debt limit was fixed in 1949. Since then Joy's business has expanded considerably. New bookings of the company are running sharply ahead with new products a vital contribution to the upswing. The $20 million obtained this year from long-term financing puts the company in a position to enlarge this program of expansion and development. It is the plan of the company to seek further diversification and broadening of markets. —END

BOOK REVIEW

The Goodly Seed

By JOHN WYLLIE

This novel tells of four days in the communal life of a Japanese prisoner-of-war camp on an island near Singapore. Here are gathered together British, Americans, Dutch, Javanese, half-castes. Here are also the camp's Japanese overlords and their underlings, the Korean camp guards.

The Camp Commandant is an Englishman who wields authority over the motley group by the force of his upright personality. He is respected too by the Japanese. But he is dying of beri-beri for lack of the necessary drug, and the struggle for the succession is the focal point of Mr. Wyllie's story.

This struggle, culminating in the Commandant's last dying gesture of authority, is finely described.

None the less, this is a novel not of horror but of hope. For in nearly all his characters there is planted the "goodly seed" of humanity.

It is indeed the author's compassionate understanding of the strengths as well as the frailties of human nature that makes this novel so remarkable and which has caused T. H. White (the author of *The Sword in the Stone*) to write of it: "It is a long time since I have been as moved by any novel. Mr. Wyllie with his first book shows himself to be that rare discovery, a man who writes with the heart and mind and who, like H. E. Bates, sees with words."

Dutton $3.00

Expansion Spearheads 2nd Century of Growth

(*Continued from page* 356)

located to serve the important southeastern states. Dewey and Almy "Darex" sealing compounds protect billions of cans of food and beverage from leakage and spoilage; to seal glass containers and form gaskets on steel pails and drums. "Darex" gasket compounds are used by manufacturers of electronic equipment and producers of automotive parts, machinery and other equipment are using one or another of the "Darex" compounds to seal against dust, weather, and oil, and to provide a cushion against vibration. Dewey and Almy's long list of other products have almost countless applications in industry, including manufacture of shoes, adhesives, fabric finishes, plastics, rubber products, and by the cement and construction industries.

3 Major Chemical Categories

With the acquisition of Dewey and Almy, along with Davison Chemical Corp., both of which are now Grace divisions, the chemical products of the company comprise three major classifications, these being agricultural chemicals, industrial chemicals and chemical specialties, total sales of which, on a pro-forma basis, have increased in the last five years from $78.3 million in 1950, to $131.1 million in 1954. During the current year, Grace will have the benefit of the operations of Grace Chemical, its wholly-owned subsidiary, which has recently completed a new $20 million plant, and is presently producing 250 tons of anhydrous ammonia per day. With the completion of the urea unit, expected to be in production shortly, about 100 tons of daily ammonia production can be converted into 150 tons of urea per day, thus opening another phase of Grace expanding activity in the chemical field.

Paralleling Grace expansion in manufacturing and other facilities, especially in the last five years, is its growth in financial strength. Within this period net fixed assets have increased from $53.4 million at the end of 1950, to $130.7 million at the close of 1954. To augment retained earnings used in its expanding business and in the construction or acquisition of additional facilities long-term debt of the company, including the recent issue of $30 million in 3½% convertible debentures, has increased to approximately $113 million from $9.5 million five years earlier. Through all this growth period, Grace has maintained a strong working capital position, its holdings of unrestricted U. S. dollars and U. S. government securities, totaling $63.5 million contributed to net working capital at the end of last year of $112.2 million.

Purpose of Financing

It is the intention of Grace to use net proceeds from the recent debenture sale for capital expenditures and for the retirement of certain medium-term indebtedness, consisting principally of bank loans to the amount of about $12.5 million. As at March 31, last, approximately $15.5 million remained unexpended of capital expenditures covering primarily expansion of facilities for chemical operations in the U. S., and Canada. Among the more important of these projects are a new catalyst plant in Quebec, scheduled to have an annual capacity of 40 million pounds; a fluid catalyst plant at Baltimore, Md., partially in replacement of existing facilities, which upon completion in 1956 will have an approximate capacity of 49 million pounds, and a new plant at Greenville, S. C., to expand production of "Cryovac" products. Included in the plans are provisions for additional capital expenditures in Latin America covering among other projects a new Brazilian plant for the production of various chemicals.

Notwithstanding all that is written here regarding the Grace history, its broad interests in this country and Latin America, no reference has been made to the company's 80% ownership of the Grace National Bank in New York that at last March 31, had capital stock, surplus and undivided profits of close to $10 million; Grace's large New York real estate holdings, nor its substantial majority interest in Griswold & Co., Inc., engaged in a general insurance brokerage business. Also omitted is reference to its wholly-owned subsidiary, Foster & Kleiser Co., operating on the Pacific Coast in the outdoor advertising field with net profits

last year of more than $1.9 million.

As was stated at the beginning of this study, W. R. Grace & Co. for diversity of activity probably has few equals. Furthermore, its interests are spread over a broad geographical area which, together with the many fields in which the company is active, affords the investor in the common stock of the company an unusual degree of diversification.

The constant building of its industrial and other activities in Latin America where operations are expanding with the rising economy, and the rapid expansion in the growing chemical industry there and in the U. S., definitely places Grace common in the growth category. The stock, currently selling at 48, is priced 6⅜ points above its 1955 low, but even at its present level yields 4.1% on the annual dividend of $2.00 a share, increased from $1.75 paid in 1954. This continues a dividend record started in 1899 and maintained, except for 1909 and 1933, without a lapse. The stock may be classified as a sound long-term investment. —END

The Investor Planning Retirement

(*Continued from page* 359)

normal taxes, this would leave a net income of about $8,500 a year. True, this would not quite match the $9,000 needed, but if the program were soundly laid out, it would probably be worth the difference in peace of mind to this investor. Certainly, it would be more desirable to accept a somewhat smaller income than impair the demonstrated fundamental strength of the rest of the portfolio. In any case, the small additional amount of $500 a year required to meet the $9,000 income desired could be provided by withholding several thousand dollars now in savings banks. This could provide the additional funds needed for quite a number of years, thus affording the investor his $9,000 a year and peace of mind, to boot.

In Table "B", we have suggested the type of stock for investment to secure an average return of 4¾%. Several of these issues yield less than this amount and others more. A package investment of $100,000 in these issues would provide an income of $4,810 a year. —END

BOOK REVIEW

Approaches to Economic Development

By N. S. BUCHANAN and H. S. ELLIS

Our stake in the underdeveloped areas of the world is political as well as economic and humanitarian.

But needed economic improvement is not achieved merely by supplying loans and capital equipment and demonstrating superior techniques of production. It must be generated primarily from within, says this book.

Approaches to Economic Development is a comprehensive study of this whole problem, defining and surveying the present underdeveloped areas, describing the methods under which economic progress has been achieved in more advanced areas, suggesting how these methods may be applied to other areas, and pointing out our own interest and responsibilities in such development.

20th Cent. Fund $5.00

BOOK REVIEW

The Thorn Tree

By NELIA GARDNER WHITE

Beautiful, talented, glamorous—why did Elspeth Esker, when her famous husband died, go into such a tailspin of bitterness and withdrawal? What was there so far beyond normal grief in this death one winter afternoon? This was the problem that confronted Sebastian, the dead man's brother, when he was summoned back from his studies in Europe. His search, and the struggle to recapture Elspeth's spirit, leads him in pursuit of his brother's character through a rich gallery of personal encounters.

But meanwhile, in a city world where the author has not taken us before, and where she shows herself to be equally at home, the brother and sister of Elspeth lead their own cosmopolitan lives. This is a happy bringing together of two worlds, in each of which Mrs. White's instinct for human relationships has full play. This story, charged with deep emotions that are revealed through those telling touches of character she is so adept at portraying, will satisfy her large and devoted audience, which has grown with each of the books produced by this novelist of increasing stature.

Viking Press $3.50

Answers to Inquiries

(*Continued from page* 368)

ments averaged 26% of their earnings last year, an increase of 8% over the previous year.

Last year's progress was somewhat obscured by increasing costs of doing business and by continuing high taxes.

The president of the company stated "Expenses of the program to gain a larger share of the writing instrument market was the primary reason that profits did not quite keep pace with the increase in sales." He said. "Gaining a greater share of the market —and holding it—required sizable investments in research, in engineering and development, and most of all, in advertising and promotion."

While competition is intense, in the writing instrument field, Sheaffer's intrenched position indicates that prospects over coming months appear favorable.

Allied Stores

"Please supply recent sales volume, earnings and dividends and financial position of Allied Stores."

R. F., Needham, Mass.

Allied Stores Corporation, the nation's largest group of department stores, reported all-time record sales of $543,984,209 for its fiscal year ended January 31, 1955, as well as earnings of $5.50 per share of common stock, highest since 1950.

Allied Stores operates 75 department stores from coast to coast. Sales last year increased 5.5% over the previous year's total of $515,829,695.

Earnings of $13,230,847 were $1,421,381 greater than for the preceding year, when earnings per share of common were $4.92.

Sales for the three months ended April 30, 1955 were $120,-665,038, an increase of 6.8% over the same period last year. Earnings were 50c per common share, compared with 48c in the like period of 1954, when 325,000 fewer shares of common were outstanding.

In the past 20 years Allied sales have increased a total of 505%, from $89,935,583 to the 1954 total. In 15 of the last 16 years, sales have attained new peak levels as compared with sales for the previous years. While sales for the first six months of 1954 did not compare favorably with the previous year, Allied enjoyed the greatest Christmas season in its history, both in sales and in profits. Sales since the close of the year show increases over the comparable period in 1954.

Dividends in 1954 were $3.00 per common share and 75 cents quarterly has been continued this year.

Working capital for Allied increased $7,625,134 during the year, largely because of retained earnings, and amounted to $130,-594,865 at the close of the year which is equivalent to 24% of sales. Working capital is adequate to support present and prospective sales volume. Cash at the close of the year was $16,114,661 compared with $13,608,892 at the close of the previous year. There were no short term bank loans outstanding on either date.

Allied's non-consolidated but wholly-owned real estate subsidiary, Allstores Realty Corporation, had earnings of $603,32[illegible] for the year, including $353,16[illegible] as a special credit for adjustment of accumulated depreciation for the years 1948 to 1953. Operating results of this subsidiary are not included with the current earnings of Allied Stores Corporation.

During 1954, Allied completed a major addition to its Gertz Department Store in Jamaica, N. Y.; opened a Bon Marche Store in Eugene, Oregon, and a Maas Brothers branch at Lakeland, Florida; doubled the size of its Titche-Goettinger store in Dallas and expanded and modernized its Levy's of Savannah and Pomeroy's at Pottsville, Pennsylvania. Also enlarged and modernized its Malden, Massachusetts store as a branch of Jordan Marsh, and acquired the working assets and business of the R. E. Kennington Co., Jackson, Mississippi. The company is also planning and developing regional and shopping centers.

U.S. Industries

"I understand that U.S. Industries was formerly called the Pressed Steel Car Co. Will you please furnish data on this company's diversification program and give recent sales, earnings and dividend payments."

F. R., Baldwin, N. Y.

The change in corporate name from Pressed Steel Car Co. to U.S. Industries was made because it was more in keeping with the present diverse operations of the company both in products and geography. Pressed Steel Car Co. manufactured only freight cars

while U.S. Industries now produces oil well equipment, aircraft parts, steel tanks, automobile accessories, lathes, milk and waste cans, electrical fittings and military products. It also operates a trading agency in the Philippines and, in October 1954, acquired Clearing Machine Corporation, a manufacturer of mechanical and hydraulic presses.

Sales of U.S. Industries for 1955 and earnings are expected to be substantially higher than those of 1954. Sales in first quarter of 1955 were about $18 million, and net income rose to 33 cents a common share from 7 cents in the like 1954 period. Order backlog recently was about $50 million. The company believes that 1955 sales volume will rise above original $80 million forecast.

Net sales for 1954 of $60,583,233 and net income, after taxes, of $1,606,170 was reported for U.S. Industries Inc. These earnings were equivalent to 92 cents a share on the outstanding common stock. In 1953 the company's net sales were $95,342,525 and its after tax income was $2,626,161, equal to $1.56 a common share.

The company had terminated its freight car building operations early in 1954, as a result of a long and thorough study indicating the probability of undesirable and spasmodic freight car business in the future. This void in operations naturally affected sales in 1954.

The diversification program of the company is bearing fruit as sales for 1955 are expected to be a good deal higher than sales in any prior year to 1949 when the company manufactured only freight cars.

Company-wide earnings in the fourth quarter of 1954 amounted to more than the total for the first 9 months of the year.

The company's ratio of current assets at the end of the year to current liabilities was 3.5 to 1, compared with less than 2 to 1 in the preceding year, working capital increased to $22,367,912 from $13,616,843 the year previous.

An important contributor to the excellent fourth quarter results in 1954 was the Clearing Machine Corporation, whose assets and business were acquired by U.S. Industries in October, 1954. This company, one of the leading manufacturers of mechanical and hydraulic presses, had total sales for all of 1954 of $30,256,000, of which $7,958,000 represented fourth quarter sales, were included in U.S. Industries sales for the year.

Dividends in 1954 totalled 80 cents per share and 20 cents quarterly has been paid thus far in the current year.

Brown & Bigelow

"Please indicate principal nature of business of Brown & Bigelow and also indicate main products and give recent earnings, dividends and outlook."

R. A., Lynchburg, Virginia

Brown & Bigelow is the creator of more than 900 products and services under the registered trade name of "Remembrance Advertizing". This includes calendars, leather pocket, desk and travel items; novelties such as telephone indexes, pens and lighters; playing cards, direct mail and deluxe business greetings.

Brown & Bigelow sales in 1954 reached $51,686,357, highest mark in the firm's 59 year history, while the company's modernization and expansion program to serve tomorrow's market made continued progress.

The sales figure of $51,686,357 is 4.6% greater than the previous year's total of $49,406,688. Increase in sales has continued each year since Charles A. Ward took over the presidency of the firm in 1933. Sales were then $2,700,000.

Although the cost of the long-range plan to expand facilities cut into profits, earnings per share on common stock were $1.57. The stock earned $1.66 a year ago.

Earnings before taxes for the fiscal year which ended January 31, 1955, were $4,663,974, compared to $4,801,118 the previous year. Earnings after taxes were $2,092,477 for 1954 as against $2,208,194 for 1953.

Meanwhile the program instituted two years ago by the president to build Brown & Bigelow subsidiary support for the future continued to work out on schedule.

Latest acquisition, Herb-Shelly, Inc. of Farmington, Minneosta, a pioneer in the manufacture of polyethylene products, was purchased by Brown & Bigelow in May 1954.

With an unlimited field in the prepackaging of fruits, vegetables, candies, poultry and soft goods, it was necessary to install high speed automatic equipment not commercially available in order to serve this rapidly develop-

Answers to Inquiries

ing market. The company engineers devised and built special machinery to handle increased demand for production.

Cost from this production changeover and cost of the continuing modernization of the Western Lithograph Co., Los Angeles, a subsidiary purchased in 1953, affected earnings for 1954.

As indication of the value of an extensive improvement program, recent sales at Western Lithograph showed March 1955 amounted to $750,000, the largest single month's volume since its establishment 49 years ago.

For the 3 months to April 30, 1955 net sales were $11,229,645, net profit $413,273, equal to 31 cents per common share and this compares with the corresponding period in 1954 when net sales were $11,853,599, net profit $451,396, equal to 34 cents per share. These earnings were based on 1,263,645 common shares outstanding in each period.

Textron American, Inc. is negotiating for acquisition of Brown & Bigelow as a wholly-owned subsidiary through exchange of 252,729 shares of new $5 preferred and 126,365 common shares for 1,263,645 Brown & Bigelow common shares on basis of 1/5 of a preferred share and 1/10 of a common share for each Brown & Bigelow common share. New preferred would have to be authorized by stockholders of Textron American before issuance. Brown & Bigelow's 18,401 preferred shares would be called for redemption at $110 a share.

When merger of American Woolen Company, Robins Mills, Inc. and Textron Inc. became effective in February 1955, merged company had accumulated losses of about $30 million that can be used to offset Federal income taxes on profits made through 1958. If all textile plants scheduled for liquidation are sold at prices currently anticipated, Textron American Inc. will be able to carry forward a total of $50 million of losses to offset taxes through 1960, Mr. Little, chairman of the board, disclosed. Meanwhile, steps are being taken to reorganize textile operations to put them on a profitable basis.

Dividends in 1954 totalled $1.00 per share and 25 cents quarterly is the current rate. —END

Potentials for Economic Growth in U. S.

Estimates of private investment by 1965 are made on the following assumptions:

(1) Residential nonfarm construction is assumed to increase from $11.9 billion in 1953 to $16 billion per year by 1965. This is believed to be sufficient to achieve and maintain the then needed stock of housing for a total of 56 million households as compared to 47 million households estimated by the Bureau of the Census for 1953. It provides: (*a*) New housing to increase the housing supply to take care of the additional 800,000 to 900,000 new households expected each year by the mid-1960's; (*b*) for replacement of wornout or destroyed residential structures; (*c*) for improvements on existing structures; and (*d*) for conversions. If in 1965, the ratio of nonfarm *housing starts* to residential nonfarm construction *expenditures* is the same as in 1953, then private nonfarm housing starts in 1965 would be about 1.4 million per year compared to 1,068,300 in 1953.

(2) Business expenditures on plant and equipment are assumed to amount to about $60 billion per year by 1965 compared to $38 billion in 1955. So far as present information is a reasonable guide this could provide about $25 billion to replace fixed assets actually retired in each year plus about $35 billion for expansion of capacity and accelerated replacement of old assets. This probably implies a more rapid annual rate of modernization of productive facilities than now prevails and probably a considerable opportunity to decentralize or disperse industry both as a means of reducing the vulnerability of our industrial plants in case of war and as a contribution toward improved working, traveling, and living conditions for employees.

Although there seems little

nanced and that opportunities will exist for such investment, one may question whether business will reach this level within the time period of these projections. Some factors can be enumerated to indicate the feasibility of the assumption. The development of atomic and, possibly, solar energy for peacetime uses on a practical economic scale would open the way to enormous expenditures to provide cheap and virtually unlimited power to the entire population without regard to present geographic locations. When will will this occur and what would it mean in terms of potential investment in other directions? In this age of potential H-bomb warfare, and in light of changed living habits and technological improvements, such as air transportation and the automobile, there would seem to be vast potentials for economically sound investment—perhaps in part by combined public and private authorities—in the rebuilding of the Nation's cities, in decentralization, and in industrial dispersal.

Joint Committee on Economic Report

As I See It

(*Continued from page* 325)

The fact of the matter is that age is no criterion of ability, whether in industry or other fields. History is full of examples of leaders functioning effectively in their sixties and seventies and even eighties. Winston Churchill is an obvious example. So is Herbert Hoover. Thousands of vigorous, elderly men and women in this country who happen to be free to continue to work, still hold highly responsible positions in various fields. But the nation, to its great loss, would have been deprived of their services had they been compelled to retire too soon.

This situation not only applies to executives generally but to highly skilled older workers in the labor ranks. Many of these competent people, often quite against their desire, are compelled to retire years in advance of the time when their energies normally would diminish. This is a great wastage of experience and know-how. Surely a more intelligent way of solving this problem can be found. This country is not so rich that it can afford to lose valuable services of men and women who, though they may have many years behind them, still have much to contribute.

BOOK REVIEW

The Red Carpet

10,000 Miles through Russia on a Visa from Khrushchev

By MARSHALL MacDUFFIE

As head of the UNRRA mission in the Ukraine, Marshall MacDuffie had got to know N. S. Khrushchev. When Khrushchev succeeded Malenkov as chief of the Soviet Communist Party, MacDuffie cabled suggesting that he'd like to visit his old stamping ground. Some months later—after Soviet intelligence experts had managed to find MacDuffie's name in the New York phone book (where it's been for years)—he got his invitation.

The Red Carpet is the story of the tour that resulted—a 65-day, eye-opening, sometimes hair-raising, always fascinating tour that took him through eight republics of the Soviet Union from Leningrad to the Chinese border. MacDuffie went to places no Westerner had seen in twenty years, talked to all sorts of people everywhere, took eleven hundred photographs, brought back twenty-one hundred pages of uncensored notes.

The Red Carpet has the fascination of an exotic travelogue and the stimulation of a good hard look at a potential enemy.

32 pages of photographs

Norton $4.50

Brazil

People and Institutions

By T. LYNN SMITH

(Revised Edition)

Hailed in 1947 as the first complete treatment of Brazil, this book has now been entirely rewritten. New statistical data, including the latest census figures, have been incorporated. All original material has been thoroughly re-evaluated and brought up to date, and further information added on the agricultural, industrial, and social development of the country.

A thorough treatment is given of population problems. Topics discussed include: number, distribution, and growth of population; racial makeup, rural-urban distribution; age and sex composition, marital condition, religious affiliations, and other characteristics of the Brazilian people; rate of reproduction and mortality rate; migrations, both into and within Brazil.

Standards of living have been closely examined. The author has also weighed such factors as poor health and the wasteful use of labor which are largely responsible for low standards of living.

An important area given complete and sympathetic treatment is that of the social institutions. Marriage and the family, education and the schools, religion and the church, and political institutions and government are the basic institutions studied.

Finally the over-all problems now confronting Brazil are summarized, and constructive solutions to these problems discussed. The outlook for the future development of Brazil is clearly and comprehensively presented.

Brazil: People and Institutions is an indispensable source and reference book for teachers, businessmen, social scientists, and all students of South America's greatest country.

Little, Brown $3.95

America's Needs and Resources

By J. FREDERIC DEWHURST and Associates

The original version of this work, published eight years ago, rapidly established itself as a classic of modern-day research, becoming the standard reference source on the past achievements, present status and future possibilities of the whole American economic system. *America's Needs and Resources: A New Survey,* completely revised and rewritten and with major figures brought up to date, is even more comprehensive.

Authors of its twenty-six chapters give special attention to the impact in their fields of the many new products and techniques developed during the postwar period. Special chapters on technological change and its effects in increasing American productivity assess our present strength and give a solid look at our future potential, with projections to 1960.

This survey provides those who work in each separate field, as well as those whose concern is the economy as a whole, with the facts and background essential for appraising the present and planning intelligently for the future. It will serve as an indispensable guide and reference work for businessmen, industrialists, union leaders, investors, economists, marketing counselors, librarians, students—for anyone seriously concerned with his own, and his country's, economic strength and probable future.

Twentieth Century Price $10

The Modern Textile Dictionary

By GEORGE E. LINTON

In this day of amazing technological advances, writes George E. Linton in the Preface to this book, enormous strides have been taken in the developing of new fibers, fabrics, finishes and fashions. These developments have created an urgent need for understanding—understanding of new terms for new processes, of new uses for new products, of new significances for the industry as a whole. Long known as one of America's foremost textile authorities, and at present the Dean of the Textile Department of the Fashion Institute of the State University of New York, and Textile Editor for *American Fabrics* magazine, Dr. Linton has compiled THE MODERN TEXTILE DICTIONARY to answer these needs.

Totalling 12,000 terms, the dictionary covers all phases of textile production and manufacture. Its vast scope ranges from apparel to asbestos; from fiber to finish; from the history of costume, fashion and style to management and labor; from lace to laundry practice; from plastics to spot removers and the proper care of clothing.

Technical terms and phrases of established importance have been entered to keep abreast of the latest expansions; and trade names like "Dacron" and "Orlon"—many of them household words by now—have been used when deemed advisable or necessary.

At once exhaustive in scope and concise in format. THE MODERN TEXTILE DICTIONARY is a work of key importance.

It will prove an invaluable guide to all those whose business or professional careers are concerned with textiles—among others, teachers and students at textile, fashion and home economics schools; interior decorators; buyers, jobbers and merchandisers; chemists and industrial engineers. $3.95

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Expert Analysis of Your Present Holdings:

Our first step in serving you is to make a detailed report—analyzing your entire list—taking into consideration income, safety, diversification, enhancement probabilities—today's factors and tomorrow's outlook.

Issues to Hold and Advantageous Revisions:

Definite counsel is given on each issue in your account . . . advising retention of those most attractive for income and growth . . . preventing sale of those now thoroughly liquidated and likely to improve. We will point out unfavorable or overpriced securities and make substitute recommendations in companies with unusually promising 1955 prospects and longer term profit potentials.

Close Continuous Supervision of All Holdings:

Thereafter—your securities are held under the constant observation of a trained, experienced Account Executive. Working closely with the Directing Board, he takes the initiative in advising you continuously as to the position of your holdings. *It is never necessary for you to consult us.*

When changes are recommended, precise instructions as to why to sell or buy are given, together with counsel as to the prices at which to act. Alert counsel by first class mail or air mail and by telegraph relieves you of any doubt concerning your investments.

Complete Consultation Privileges:

You can consult us on any special investment problem you may face. Our contacts and original research sometimes offer you aid not obtainable elsewhere—to help you to save—to make money.

Help in Minimizing Your Taxes:

We keep in mind the tax consequences of each transaction and help you to minimize your tax liability under the new tax provisions. (Our annual fee is allowed as a deduction from your income for Federal Income Tax purposes, considerably reducing the net cost to you.)

Annual Personal Progress Reports:

Throughout the year we keep a complete record of each transaction as you follow our advice. At the end of your annual enrollment you receive our audit of the progress of your account showing just how it has grown in value and the amount of income it has produced for you.

Investment Management Service has prospered by earning the steady renewals of its clients (many have been with us 5, 10, 15 and 20 years)—through actual results that have proved our counsel to be worth many times our fee. You owe it to yourself to investigate our Service.

Full information on Investment Management Service is yours for the asking. Our rates are based on the present value of securities and cash to be supervised—so if you will let us know the present worth of your account—or send us a list of your holdings for evaluation—we shall be glad to quote an exact annual fee . . . and to answer any questions as to how our counsel can benefit you.

INVESTMENT MANAGEMENT SERVICE

A division of THE MAGAZINE OF WALL STREET. *A background of nearly forty-eight years of service.*

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